An AUTHORITATIVE GUIDE To *Profitable Investment* . . .

Free! *Our* 164-*page handbook . . .* "TIMING—*When to Buy and Sell in Today's Markets," by John Durand, the third large printing of which is now ready for free distribution to* new yearly subscribers.

Subscribers to The Magazine of Wall Street derive sizable profits through the wealth of information they receive. Each issue brings them behind the scenes . . . revealing all of the numerous factors which must be known to achieve and maintain a profitable investment position.

Because of the expert analyses and timely interpretation of current events on all fronts presented in recent issues of The Magazine of Wall Street, our subscribers were prepared to "cash in" on the exceptional opportunities during the initial stages of the Recovery Market.

There are still further opportunities for profit-taking ahead. New advances in business activity . . . increased efficiencies in management . . . introduction of newly developed products . . . diminishing labor troubles—all point to an optimistic outlook for the investor during the coming year.

Yet the need for accurate, authoritative guidance in investment procedure is more important than ever. While a new recovery phase is under way—recently administered legislation, developments in politics and a tense European situation all bear viligant watching for the effects they may have on a sensitive market subject to sharp intermediate reactions or extended periods of consolidation.

THAT IS WHY THE MAGAZINE OF WALL STREET CAN BE SO VALUABLE TO YOU—NOW.

★ Our Staff of Security Specialists will analyze the profitable market leaders for you just as quickly as they uncover them.

★ We will keep you abreast of every development in business and industry, politics and foreign affairs, clearly interpreted in terms of their relation to you as an investor.

★ Through constant application of our regular market forecasts you will be able to determine an advantageous investment course to safeguard and increase your capital and income.

★ Our Personal Service Department will render confidential advice by mail or wire on the securities you hold or contemplate buying.

No other publication can offer you such well-rounded, practical information—a Business Service Investment Advisory Service, Washington News Letter Service, Commodity Service, in magazine form . . . based on our 30 years of dependable, and consistently successful service to subscribers.

Consultation Privileges Through Personal Service Department

Your subscription gives you the privilege of writing or wiring for personal opinions by our experts on listed stocks or bonds (as many as three each time and as often as you wish).

Shares	Stock	Price Paid

The Magazine of Wall Street
90 Broad Street, New York

8-27 MPG

Enclosed find my remittance of $7.50 for which enter my subscription to The Magazine of Wall Street for one year—including *free* Personal Inquiry Service—and send me a copy of "TIMING, When to Buy and Sell in Today's Markets."

Name . . . .

Address . . . .

$7.50 in U. S., Canada, and Pan-American countries. $1 additional for all other countries.

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Volume 62 No. 10 August 27, 1938

The Ticker Publishing Company is affiliated by common ownership with the Investment Management Service and with no other organization. It publishes only The Magazine of Wall Street and Business Analyst, issued bi-weekly; Adjustable Stock ratings, issued monthly; and The Investment and Business Forecast, issued weekly. Neither the Ticker Publishing Company nor any affiliated service or publication has anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

CONTENTS

SUBSCRIPTION PRICE—$7.50 a year in advance in the United States and its possessions, Canada and Pan-America. Foreign $8.50. Please send International Money Order or United States Currency.

TO CHANGE ADDRESS—Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES — International News Co., Ltd., Breams Bldg., London, E. C. 4, England.

Cable Address—Tickerpub.

With The Editors

"Cheap On Earnings"

AMONG the many devices which investors and speculators use in appraising the outlook for the market or for individual securities, the matter of price-earnings ratios is probably the most tricky, the most subject to qualifications.

Whether the general level of the market be high or low, wide variations in price-earnings ratios are always present. For example, Monsanto Chemical, appraised as having dynamic potentialities for longer term expansion of earnings, will tend habitually to sell at a relatively high ratio to current earnings; General Mills, with stable but static earnings, will sell at a moderate ratio to earnings, its price largely representing an investment appraisal of the security of income return; and Lambert will sell at a very low ratio to earnings, with high current yield, because the underlying profit trend is downward and continuance of present yield is doubtful. A very low price-earnings ratio should be a red flag of warning to the investor.

When one considers the average level of the market in relation to the average level of corporate earnings, a sound rule to keep in mind is that the market always looks high on earnings in the early stages of a bull movement and low on earnings in the initial phases of a bear market. Those who said last August that the market was low on earnings and who say now that it is high on earnings make the mistake of thinking in terms of the past. Shrewd or informed buyers and sellers are always looking ahead. The *trend* of earnings—the outlook for future earnings—is the paramount factor.

The forty industrial stocks making up this publication's daily market index had average earnings of \$2.66 per share in 1935, \$3.95 per share in 1936, and \$4.50 per share in 1937. At this writing these stocks are priced at 20.2 times average 1935 net per share, 14 times 1936 earnings and 12 times 1937 earnings. At the market peak in March, last year, they were priced at approximately 16 times what proved to be their average 1937 earnings.

In a period of widespread optimism a vulnerable market price level can always be plausibly rationalized. Arguing in the summer of 1929 that the market was not too high, a bull could single out United States Steel and say—truthfully—that it was low in ratio to prevailing earnings; and if confronted with another stock priced very high on earnings, his answer was that we were in a "permanent new era of prosperity." The same type of mind contended in March, 1937, that stocks were reasonably priced on earnings, "especially if extremely low interest rates be allowed for."

Watch Government credit policy, the course of bank deposits and investments, the trend of business. These throw far more light on the market outlook than price-earnings ratios ever can.

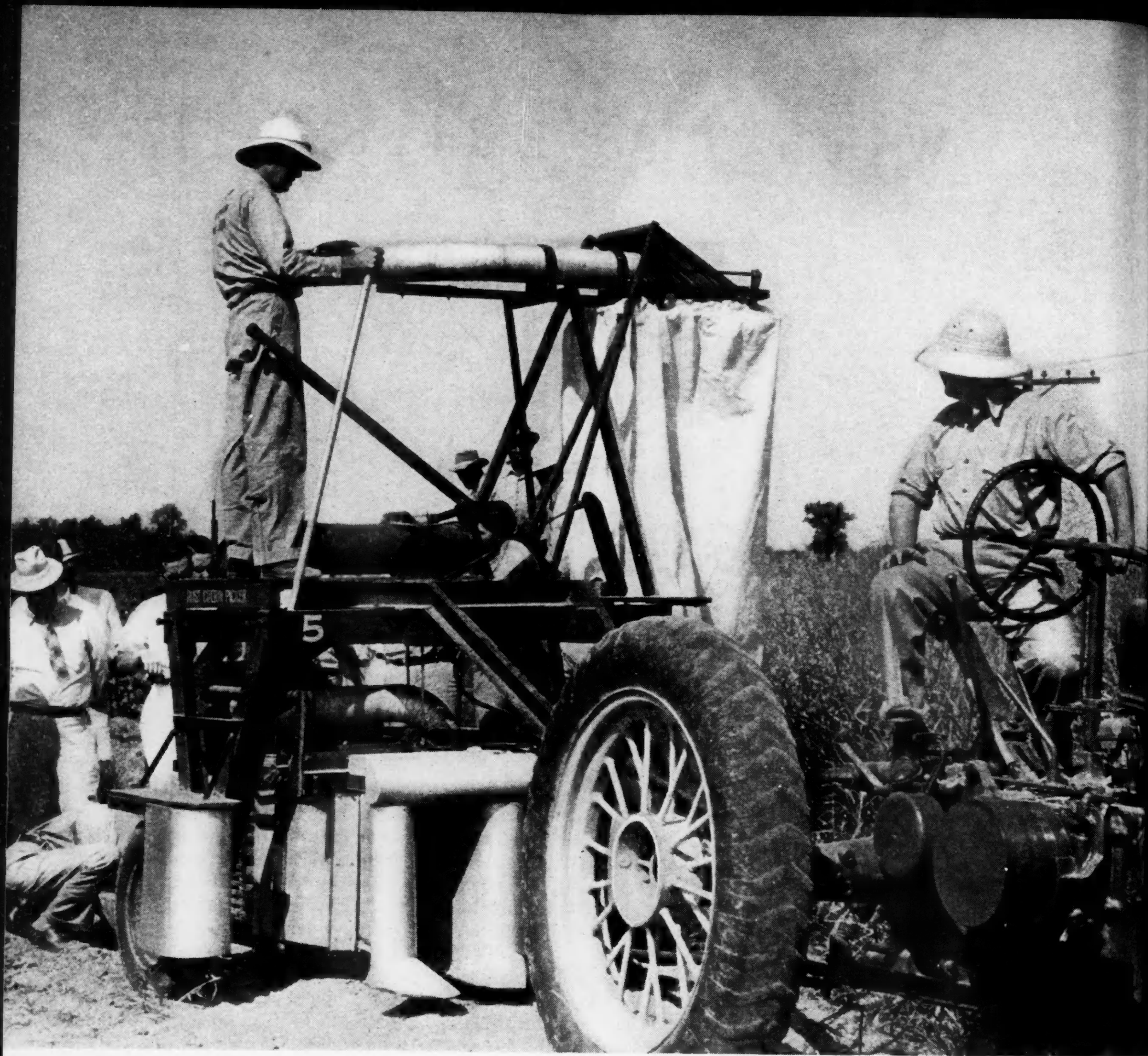
---

* * * IN THE NEXT ISSUE * * *

As Business Sees Its Own Future

A New Age of Chemical Development Opens

The Coming Crisis in World Currencies

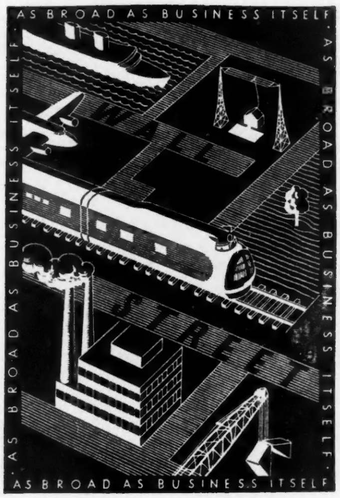


Underwood & Underwood.

The Rust cotton picker is outstanding as one of the great labor saving achievements of the day. Its widespread adoption however will, for a time at least, aggravate the problem of excess labor in the South. With cotton currently produced far beyond the combined demand of home and foreign markets, a mechanical cotton picker becomes another argument for intense and efficient production in a smaller area and a far greater diversification of crops on the majority of Southern farms.

THE MAGAZINE OF WALL STREET

E. KENNETH BURGER, *Managing Editor* : C. G. WYCKOFF, *Publisher* : THEODORE M. KNAPPEN, LAURENCE STERN, *Associate Editors*



The Trend of Events

RECOVERY IN PROFITS . . . In manufacturing the true labor cost is not the hourly wage rate, but the labor cost per unit of production—that is, the worker's wage in relation to his efficiency. Two statistical indexes regularly carried on by the National Industrial Conference Board throw interesting and valuable light on this matter. Throughout 1937 the index of output per man-hour declined, which meant rise in unit labor costs. Indeed, the index of unit labor costs advanced from 87.5 per cent of the 1929 average in January, 1937, to 99.3 per cent in August and to 117.7 per cent in December, a total jump of more than 34 per cent for the year.

This profit-killing maladjustment was partly due to inefficiency of new employees hired because of capacity or near-capacity operations, but was more largely accounted for by continued disputes and friction between employers and workers arising out of the militant union movement.

The trend has been sharply reversed this year. Comprehension of the realities of depression brought marked improvement in plant discipline and worker efficiency, especially since, in lay-offs, employers let out the least efficient and kept the best workers. From the start of this year to June the index of unit labor costs declined from 117.7 to 97.4 or by about 20 per cent. For the first time in a year it is slightly below the 1929 average, although average hourly wages paid by manufacturing industries are some 20 per cent higher than in 1929.

Lower unit costs were reflected in the moderately improved second quarter earnings statements of manufacturing companies and will be more fully reflected in earnings for the second half year. Also working toward betterment of profit margins will be the increased manufacturing efficiency obtained—as volume rises—from the new machinery which was bought so heavily during the first nine months of last year. Aside from efficiency of men and machines, skilled management always manages to find better ways of doing things under pressure of depression. For all of these reasons recovery in industrial profits probably will be fully proportionate to recovery in volume—provided the labor unions are not again so foolish as to try to throttle the goose which lays the golden eggs. In the long run labor can benefit only in fair ratio to its productivity.

NEW PROXY RULES . . . Proxies received in the average stockholder's morning mail are all too often tossed into the waste paper basket, along with a couple of sales circulars and a postcard from some not particularly dear relative. The stockholder may feel indifferent to the proposition put before him by the company in which he has a more or less important financial stake, or he may feel that he really knows nothing about the matter or he may carelessly reason that his small vote can make

no difference anyway. In future he will have less excuse for such behavior. The new S E C proxy rules, effective October 1, go a long way toward insuring that he will have adequate information upon which to act intelligently.

Proxies, after October 1, must be accompanied by a statement setting forth the identity of the persons seeking the proxy; the nature of the matters to be voted on under the proxy; the expense of the solicitation, including all compensation paid to solicitors; and the right of the shareholder to revoke his proxy, as well as the rights of dissenting stockholders. Another change is that the security holder solicited will have opportunity to specify how his vote will be cast on each item under consideration, although he may still confer full discretion on the person soliciting the proxy. Thus the new rules represent one more step toward the desired objective of requiring corporations represented on national securities exchanges to provide stockholders with the full and frank information to which they are fairly entitled.

FARM PROBLEM UNSOLVED . . . The millions who derive their livelihood from agriculture constitute a very important market for the products of American industry; and they have as much right as organized labor or manufacturers or any other population group to claim the special consideration of the Government. Viewing the recent serious decline in farm prices and farm income, it would be senseless to gloat over the multiplying difficulties and headaches of our A A A farm planners, headed by Secretary Wallace.

The fundamental fact is that since the World War there has been a tendency toward chronic overproduction of major farm staples, only occasionally mitigated by crop disasters here or in other major agricultural countries. Strictly economic factors point to long run downtrend of farm prices and to further shrinkage in export markets as importing countries strive to increase their self-sufficiency in foodstuffs. Yet it is simply not politically possible to leave the matter to the free workings of economic law.

It is also a fundamental fact that, due to inherent characteristics of agriculture, any attempt at effective production and price control is beset with baffling complexities. That is why the ink is hardly dry on a Federal farm law before it becomes apparent that a new one will have to be written by the next Congress. It was so long before the New Deal. The Government has yet to find a remedy which is effective but which stops somewhat short of 100 per cent bureaucratic regimentation of every acre of farm land in the country. Being human, the farmers want help, but not from any American counterpart of a Hitler or a Stalin.

There is rising criticism of the present Federal farm policy and considerable agitation for a two-price system—guaranteed domestic price and free market export price. In the case of wheat Mr. Wallace is temporizing with a proposed export subsidy. However disguised, this is dumping and in principle collides head on with the New Deal reciprocal trade policy. Yet from the farmer's point of view, it matters not whether the disparity between finished goods prices and farm prices arises from the tariff or from the inexorable logic of industrial economics. Disparity there is. Since we are unable to think of a remedy any more appealing than that Mr. Wallace is now trying to apply, we are inclined to extend him our sympathies. He has the one Government job that any wise man should least envy.

WHAT THIS COUNTRY NEEDS IS— . . . In a statement prepared confidentially for the Monopoly Investigating Committee, but made public after parts of it leaked out, Mr. A. A. Berle, Jr., a "brain truster" reputed to be within the New Deal inner circle, finds something wrong with almost everything—business, organized labor, New Deal policies, methods and preconceptions.

What the country needs, says Mr. Berle, is a business organization which will satisfy the needs of the people with maximum efficiency, but he expresses doubt that the desired requirements can be met by any single system or any single standard of size or set of practices at any given point. He suggests that in different fields a high degree of competition, cartelization under control and quasi-public ownership might all have their places.

He doubts that small business is inherently less monopolistic or more humane than big business, pointing out that many local enterprises were monopolies before the days of the automobile, the chain store systems and the big manufacturing units. He doubts that the highly competitive textile industry is any better than the steel industry. He is skeptical that Federal licensing of corporations is the answer, and in warning against the dangers of Federal regulation he pays his respects to the "decay of the Interstate Commerce Commission" as an admirable illustration of Government boards making regulations without assuming responsibility for the results, as private management has to do. He cites the undistributed profits tax as a sample of a Federal measure that had the opposite effect from what was intended in that it hurt little business much more than big business. He takes a crack at labor union insistence upon the highest possible hourly wages, saying labor would do better to think of annual incomes and permanency of jobs. He warns that economically undesirable consequences of the union movement may hurt small business more than big business.

Well, well! This Mr. A. A. Berle, Jr., sounds like quite a fellow—but we remember that "brain trusters" have not usually remained in the inner circle when they have doubted the supreme wisdom of any Roosevelt notion. If Mr. Berle doesn't look out he may soon be an ex-"brain truster." Maybe he already is.

MOTOR OUTLOOK BRIGHTER . . . Things are looking up in the automobile industry. Not that cars are presently coming off the assembly lines in any large quantity, for this is the time of model change and many lines are shut down. But prospects are good and there are facts to prove it—something for which

the whole country may well be thankful. The American economy is so greatly an automobile economy and the most important single sign of all being well with the country is an active motor car production. Buying of cars picked up in July. This was unseasonal and unexpected. So far as new cars are concerned, its first effect was to postpone factory shut-downs and curtail their duration when they did occur. The buying wave, however, affected also the used car market and brought about a sharp reduction in stocks. Pontiac, for example, recently reported that its dealers as of August 1 had 22,825 used cars on hand, compared with 37,069 a year ago and with a peak number of 40,240 on the first of January, this year. Reports from other companies and dealers are similar and some observers are even going so far as to say that there will be an actual car shortage before long if the present rate of buying keeps up. Such sharp improvement in the demand for automobiles so close to the end of a model-year, certainly promises a good reception for the new offerings which will be before the public shortly. This is the more likely as the 1939 cars are likely to reveal extensive changes. Certainly the changes will be more drastic than those made a year ago. Then, too, there is the possibility of demand being stimulated by price reductions. Everyone concerned is keeping very quiet on this point, but when one looks at the drastic cut in quotations for steel and other materials entering into the production of automobiles it would seem that the probabilities favor somewhat lower car prices. Nor would moderate reductions hurt producers if they can expand their market, say, to above the 3,000,000-mark, compared with probable production for 1938-models of 2,200,000. All-in-all it begins to look as if the country could again count on the automobile to render aid when it will do the most good.

A WORLD GONE MAD . . . Out of what is going on in the world today, whether under the slogans and catch-phrases of Fascism or Communism or Democracy, one common and ominous fact emerges. It is this: All leading nations are living beyond their real incomes, consuming the accumulated capital of their people, borrowing more and more against a dim and uncertain future.

Everywhere staggering sums are being spent for armaments and for paternalistic social services, both of which are economically non-productive. In varying degrees and with varying techniques, the means of payment either come out of the living standard of the people through taxation both open and concealed; or from disguised inflations which merely postpone the day of disillusionment.

At its worst the so-called exploitation of the masses by the capitalist system was never like this. That system of production at least raised the living standards of the people, while the major governments today are either lowering living standards or following policies which will inevitably result in a future lowering of the real wealth and incomes of their subjects. In the dictator countries, it is brutal and ruthless exploitation, accompanied by enforced low pay and long hours for all workers and already falling living standards. In most leading Democracies, notably France and the United States, it is done with mirrors—where the common man must be made to believe he is getting something for nothing.

In France, organized labor under socialistic leadership has obtained a five-day week; and the resultant reduction in the production both of armaments and of real wealth has now greatly weakened that country's economic position, as accurately pointed out by Premier Daladier. French salvation, he wisely says, lies in more, not less, hours of work. But the modern pipe dream that people can have more without producing more is not confined to France. In this country millions have been trained to increasing dependence on "hand outs" from the Government, decreasing thought of thrift and self-effort. Who cares where the money is coming from? Take it from the rich or let future generations pay.

Out in California several hundred thousand persons in November will vote for a "Thirty dollars every Thursday" plan, the money to come out of thin air without cost or pain to anyone. Up in Poughkeepsie the other day New Dealer Aubrey Williams assured the World Youth Congress that the problem of youth today was due to the evils still present in the wicked capitalist system and that the only way this country's national income can be greatly raised is through the Government's borrowing and spending. An individual can not raise his real income by borrowing, but Mr. Williams tells all who will listen that the same thing is sound collective economics for a nation!

There is a day of reckoning coming, for the world and for us. It will not be pleasant, whether the debts are paid out of the sweat of man's brow or repudiated through the thievery of inflation. Meanwhile the widespread process of deception goes on—and millions of people think they like it.

THE MARKET PROSPECT . . . Our most recent investment advice will be found in the discussion of the prospective trend of the market on page 552. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

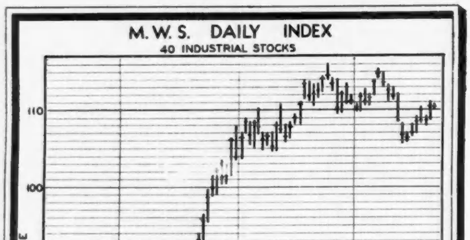
Monday, August 22, 1938.

The Wisest Market Policy Now

BY A. T. MILLER

AIDED by a slightly better tone in commodities and corporate bonds, the stock market at this writing is showing mild but fairly persistent rallying tendencies, which would carry more conviction if the movement had not occurred on the smallest average volume of trading seen at any time since the spectacular upsurge began in the third week of June. In the immediate technical setting a significant expansion of volume would suggest the probability of an early test of the August highs and an attempt to exploit further the anticipated autumn business gains.

Regardless of the promise in the longer economic outlook and regardless of whether another phase of rally may or may not lift the averages back to or moderately above their previous summer highs, the most practical question of the moment is whether the reaction of approximately 8 points in our industrial index between August 6 and 13 may safely be considered to have constituted adequate technical correction of the preceding broad advance. If it does not, then the prudent course must be to defer purchases for intermediate trading or longer range investment purposes and to await a more attractive buying opportunity on normal correction some time in coming weeks.



The 8-point reaction in the industrial index from the August high, accompanied by relatively small volume, cancelled a little more than 23 per cent of the 34-point recovery from the level of May 31. We believe it conservative to be skeptical that such reaction represents completion of the corrective period which usually follows a broad and active upsurge in the early phases of a bull market. Certainly it has amounted to less, both in percentage decline and duration of time, than the great majority of completed secondary reactions of the past.

In a technical setting such as now exists the week-to-week fluctuations in the averages are often confusing and deceptive, with false starts on the downside and successive rallies which nibble away at previous resistance levels. It has been a performance of this kind for the past month. Late July saw a moderate reaction followed by rally which in the first week of August lifted the industrial average to a new high by an inconclusive fraction and which failed to get confirmatory support from either the rails or utilities. That upturn, moreover, lacked convincing volume. Although the next reaction was of larger proportions and was accompanied by some expansion of activity, it seems tentatively to have been stamped as just another false move by the upturn which made its appearance last week.

We would not be surprised to see the market make one or two more efforts to break through the summer highs; and after it fails to meet with convincing success in these efforts we would not be surprised to see it work irregularly lower into a normal intermediate correction representing cancellation of something between a third and a half of the total advance from the May 31 low. We would definitely be surprised—and wrong in the short term pattern here outlined—if both industrials and rails manage to rise with expanding volume above the summer highs in an important extension of the major bull trend. That will come in due time, but we are skeptical that the market is yet ready for such an achievement on top of the 42 per cent rise in our industrial index from May 31 to August 6 and the 59 per cent advance in rails from June 17 low to July 23 top.

In two generations of market history one of the most consistent seasonal habits has been summer advance discounting autumn business hopes, and only moderately less consistent has been the habit of September-October reaction following vigorous summer upturn. The latter trend sometimes has been explained by disappointing autumn business—which seems improbable this year; and sometimes—as is quite possible now—by autumn business developments which are favorable but no more favorable than had been anticipated and allowed for.

Quite apart from seasonal precedent, which is by no means an infallible guide, the market will have two major uncertainties hanging over its head for some weeks to come. One of these is the German army mobilization on a scale unprecedented since the World War; the other is our Congressional election only some ten weeks in the offing. These are not necessarily bearish market factors, but taking the most optimistic possible view they seem to us to be restraining factors, something to give potential investment buyers pause as they ponder the ques-

An early test of the market's summer highs is indicated but we doubt that the potentiality of normal intermediate reaction can safely be ignored. We would hold off on new commitments intended for longer retention.

tion whether this is an opportune time to make new commitments.

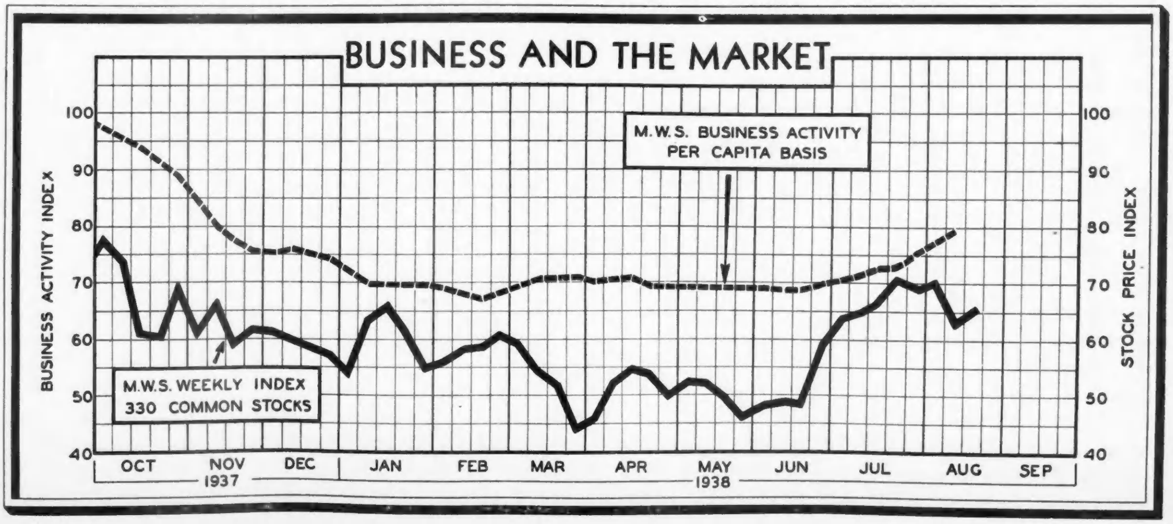
Regarding the situation in Middle Europe, we claim no clairvoyance whatever. The German mobilization may be—if we take Hitler at his word—merely a grandiose and very expensive gesture in the game of international power politics. But just in case it is something else, Europe would be confronted with the startling fact that the German war machine had openly gained a jump of many weeks over any possible mobilization by any possible opponent. At best, it will be a continuing source of uncertainty and uneasiness for some weeks.

Our per capita business activity index has now advanced approximately 17 per cent from the depression low of February and the present level represents a recovery of 34 per cent of the depression decline. Considering the absence of any such speculative forward buying as played prominent roles in the initial New Deal recovery, this is a decidedly strong performance. In past recoveries, going back many years, the average performance has been cancellation of about one-third of the preceding depression decline in the first ten months of reviving activity. At the rate of gain shown since the third week of June, the next three months would foot up to a ten-month recovery amounting to about 65 per cent of the depression decline. That is, of course, too much to expect. Indeed, the speed of the business rise during the past seven weeks—however gratifying—has been so great as to justify a note of caution as to the trend over the weeks just ahead.

While it is true that the business index is up 17 per cent from the February low, the more significant fact is that the major part of this rise has been concentrated in the past seven weeks, the gain from the third week of June being 15 per cent. Although revival of automobile production, increasing Government spending and other factors point to substantial actual expansion in business volume during the fourth quarter, one should keep in mind that all properly adjusted business indexes make allowance for this seasonal expectancy. Otherwise the investor or speculator looking forward to the widely predicted "big business rise after Labor Day" may possibly be disappointed to see a post-Labor Day lift in the adjusted index somewhat less spectacular than the pre-Labor Day rise already marked up.

To this it should be added that while the recent severe decline in farm prices and farm income is by no means a national disaster, it does necessarily make the autumn trade outlook a bit less bright than it otherwise would have been. It may be that by one device or another the Administration can halt the decline—some evidence of rally in farm staples being present at this writing—but recovery of the loss this year is improbable.

No note of caution sounded in this analysis is intended to have any relation to the major trend of business activity or security markets. The recovery has started from a much higher base than did the first New Deal revival and—as discussed in detail elsewhere in this issue—Government spending, the relatively favorable level of consumer purchasing power and the encouraging revival of corporate new capital financing all point to a decidedly promising future—but the future is a matter of months and years; and Rome was not built in a day. Neither are bull markets.



Appraising Election Possibilities

Business, Markets, Agriculture and Labor Peer Anxiously into the Political Future

BY RAY TUCKER

Business and industrial interest are currently watching the political ticker to discern the trend of November elections—the possible behavior of the next Congress—the prospect of a third term for Roosevelt. They realize that the speed and scope of recovery in trade, industry and in the security markets depends on these political factors as never before. If they read the signs aright they are awakening to the fact that despite the President's admitted popularity with the millions below the economic waterline, his dominance of the Democratic party and the Congress stands in a dangerous balance.

No other conclusion can be drawn from an impartial analysis of recent primary results. Let's examine these key contests objectively—the Administration's triumphs and defeats, the whys and the wherefores. In addition, let's consider the disaffection which manifests itself among certain classes which hallooed for the New Deal in 1932 and again in 1936—organized labor and subsidized agriculture. From these studies it becomes evident that the regime of one-man regimentation of a nation is wavering.

Contrary to the general, uninformed opinion, Mr. Roosevelt has scored no great, personal victories in the Congressional contests. If anything, he has lost prestige—will continue to lose more—and has made new enemies for himself on Capitol Hill. It is probable that if the popular vote in all the primaries were tabulated, it would be discovered that the voters had split 50-50. In the face of W P A scandals which have shocked a Senate Campaign Investigating Committee controlled by Democrats, such an accomplishment can hardly be recorded as extraordinary. But there are other means of discovering the truer significance of these tests.

Illusory Gains

The President's friends crow chiefly over the apparent success of his intervention in five states—for Senator Pepper in Florida, Barkley in Kentucky, Thomas in Oklahoma, Buckley in Ohio, Caraway in Arkansas. On the surface their renomination to seats they have occupied for years appear to be Rooseveltian gains.

What the White House observers choose to forget is that it is far easier to renominate than to defeat an incumbent. The object of presidential favor has been the beneficiary of federal patronage and funds distributed in his name. He has the free use of the frank and Franklin. Except where his opposition happens to be the Governor, he can usually command the backing of the state machine. So, for the Rooseveltians to chortle over their success in renominating sitting Senators is to whistle in a graveyard. It means comparatively nothing in estimating presidential appeal.

Significant Tests

A far more accurate test was staged in Iowa and Idaho. In Iowa the Administration's most powerful machine—the W P A—was mobilized by Harry Hopkins on behalf of the official favorite—Representative Otha A. Wearing—yet he lost by a substantial majority to Senator Guy Gillette. Although Senator James P. Pope ran himself ragged as a W P A and A A A errand boy at Washington, he was ignominiously licked by a man who dared to proclaim that he would be no "rubber stamp" for the White House. In the one instance Mr. Roosevelt was unable to unseat a man, while in the other his enemies did unseat his candidate. The outcome in these scraps carries larger significance than those others.

And—lest it be forgotten in the hurly-burly—both Mr. Thomas and Mr. Pepper were renominated chiefly because they lined up as "gimme men"—avowed raiders of the federal treasury. Each espoused the Townsend plan or a modification of it. Mr. Pepper also promised to build the Florida Ship Canal at terrific expense to the taxpayers, and Mr. Thomas again swore that he would yet force the Administration to shell out silver dollars in an endless stream.

It is such candidates that Mr. Roosevelt lifted over the bumps with a friendly word or pat on the back. It may turn out to be an expensive and a regrettable victory for him. He should make the most of it while he can.

In several Congressional battles, notably in Virginia and Texas, the Administration suffered severe setbacks. Though millions in emergency funds were poured into these regions in a last-minute, rescue act, such New Deal stalwarts as William E. Dodd and Norman Hamil-

ton were trounced in the Old Dominion. In Texas the irrepressible Maury Maverick—the real Roosevelt leader in the House—was mopped up by the conservative Garnerites. All these campaigns were waged with New Deal radicalism as the fundamental issue.

Within a few weeks the President will return to the warpath once more—against Walter George in Georgia and Millard Tydings in Maryland. He has turned the full measure of his official scorn on these Senators. He regards them as hopeless reactionaries, and he has asked for their scalps. But the betting commissioners in both states are wagering that they will win by comfortable margins, largely due to popular resentment at the presidential intrusion. If they survive his private purge, Presidential stock will sink on Capitol Hill.

Under such circumstances—and every business man should paste this in his hat—the Seventy-sixth Congress will show, or discover, more backbone than any national legislature in recent years. It will be overwhelmingly Democratic, but it will no longer be servilely responsive to White House proposals on taxes, monopolies, government reorganization, railroads—perhaps the four main items of the 1939 legislative program. It will be a "yes-but" bunch.

Under such circumstances, too, the likelihood of a third term for F D R will vanish—if it ever existed except in the heads of the hero-worshippers around him. Though everybody expects him to ask for four more years, if economic and political times are propitious, a repudiation at the primaries and November polls and on Capitol Hill—three distinct possibilities—will strip him of glamour and prestige for the practical polls. And though the masses may admire him, they do not serve as delegates to national conventions or say who shall. They will be on the outside looking in at that party.

Such prospective repulses will embolden the professional politicos, who hate him already, to gang up against him. Indeed, the stop-Roosevelt movement has even now gained great momentum among key leaders, and they await only an opportunity to unveil it. The events of the next few months may furnish the signal. Instead of maneuvering behind the scenes, bigwigs like Garner, Harrison, Byrd, Clark, Lehman and Wheeler will begin to form cabals designed to sidetrack the man in the White House.

Far more important than intra-party developments, however, is the increasing dissatisfaction among farmers and workers. Neither group is happy under New Deal dispensations. Though outwardly and vocally loyal, their leaders are muttering. It would be no surprise if, by 1940 at the latest—perhaps in time for the next Congress—they had withdrawn from their artificial alliance with the Democrats—with the radical wing at least.

John L. Lewis has long denounced the President privately, but now William Green is doing it. He is particularly sore at the National Labor Relations Board, Secretary Perkins and the Department of Justice. In his opinion—and more aggressive A F of L men feel even more bitterly—these agencies are sabotaging the older labor organization.

The N L R B, for instance, has declared invalid numerous contracts between large employers and the A F of L on the ground that (*Please turn to page* 598)

Definition of a Liberal . . . 100% Obedient.

Government, Consumer and Business Spending Indicates:

Strong Business Uptrend

BY WARD GATES

CALL it recovery or call it inflation, the outlook for expanding economic activity in this country is the brightest in many, many years.

This will be a startling statement to investors who only a few months ago could see no hope. It will bring an incredulous raising of the eyebrows from such business men as are still saying, "This is just another synthetic New Deal revival which is bound to peter out as soon as Government pump priming slackens or terminates."

All right, let's take a close look. What do we see?

We see that the liquidation of inventories and the minor deflation of bank credit have run their course and that both trends are now upward.

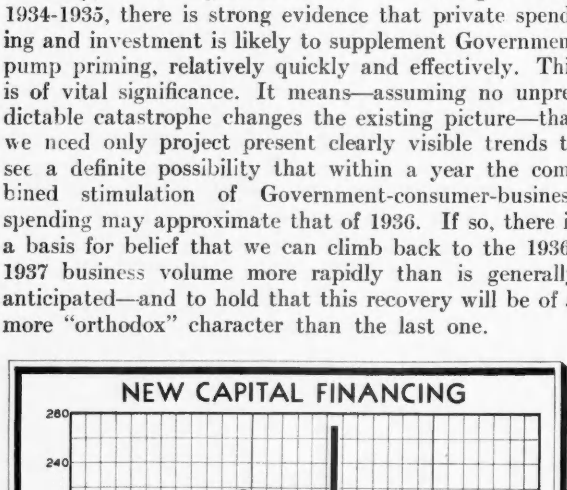
We see that the second New Deal recovery is starting from a much higher base than did the first one.

We see that the severe slump in industrial production during the short-lived Roosevelt depression was out of all proportion to the relatively moderate shrinkage in the public purchasing power.

We see that corporate managements—whether from competitive necessity or resignation to the idea of a more or less permanent new deal in government—are resuming capital investment much more promptly and largely than they did in the early phases of the inadequate and abortive 1933-1937 recovery.

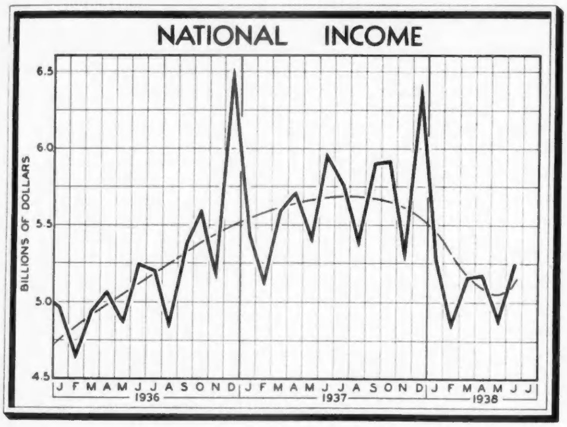
To get what this means remember what the conservative economists were drumming into our ears time and time again during the first New Deal revival. "The great lack," they said, "is private spending and investment." That was true. Only when private spending and investment began importantly to supplement Government pump priming did we get the nearly normal industrial production of 1936 and 1937. We waited a long time to get that lift because public purchasing power and business investment—although pointing up—were at greatly sub-normal levels through 1933, 1934 and 1935.

Today, in striking contrast with the setting of 1933-1934-1935, there is strong evidence that private spending and investment is likely to supplement Government pump priming, relatively quickly and effectively. This is of vital significance. It means—assuming no unpredictable catastrophe changes the existing picture—that we need only project present clearly visible trends to see a definite possibility that within a year the combined stimulation of Government-consumer-business spending may approximate that of 1936. If so, there is a basis for belief that we can climb back to the 1936-1937 business volume more rapidly than is generally anticipated—and to hold that this recovery will be of a more "orthodox" character than the last one.



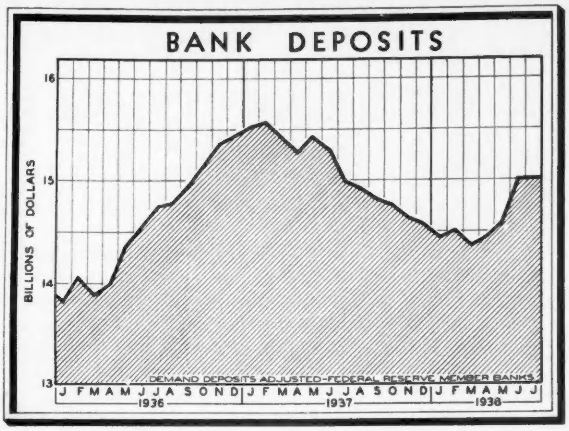
To pull together the factual evidence pointing in this hopeful direction we must briefly examine the current and prospective trends of Government spending, consumer spending and business spending. We shall consider them in the order named and with least attention to Federal pump priming, since our readers are well aware that the latter over the next year or eighteen months will probably approximate the initial New Deal "reflation" program in average monthly contribution to public purchasing power.

Since February the Government's recovery-relief spending has increased by nearly $100,000,000 a month or some 40 per cent. The major part of the increase reflects relatively rapid expansion of W P A relief rolls. Actual expenditures to date under the new public works program and the slum clearance program have been negligible. Although recovery-relief spending is now but moderately under the average of 1935-1936 (excluding the veterans' bonus), its contribution to business revival thus far has been more psychological than tangible for two reasons. First, the increased spending thus



far has been tax-financed in far greater degree than in 1935-1936, so that the actual net contribution to national purchasing power has been relatively modest. Second, the increased spending up to now has coincided with declining private incomes, mitigating but not outweighing the shrinkage in national income. The program will become increasingly inflationary in practical results over coming months as it begins to supplement *rising* private incomes, as falling tax revenues call for increased Federal borrowing and as the public works and slum clearance projects more and more pass from the allotment phase to the phase of actual construction. The resultant monthly addition to national purchasing power will average far more in 1939 than during the remainder of this year—once more proving that the weakness of the pump priming theory is the virtual impossibility of ideal timing, since maximum economic effect again will be experienced when maximum need for it has passed.

Turning to consumer purchasing power, the most comprehensive of all indexes is the monthly estimate of national income payments made by the Department of Commerce. This covers compensation of employees, dividends and interest, net rents and royalties and entrepreneurial withdrawals, including farm income.



The adjusted index of total income payments for June—latest figure available as this is written—was 78.2, as compared with 78.6 in May and recovery high of 88.6 in August, 1937. The June figure represented so pronounced a slackening in the rate of decline as to suggest probability that July either brought termination of the downtrend or a modest upturn. National income payments always lag behind more sensitive business indicators.

The most significant fact to be read from these statistics is that the total decline in income payments from the peak last year through June was only 12 per cent, whereas the total depression decline in industrial production, as measured by the Reserve Board index, was 37 per cent. Moreover, at the June low total income payments were only slightly below the average of 1936 and well above the average of 1935. This means that we have seen the phenomenon of a severe, but short, depression in industrial production accompanied by a shrinkage in national income only one-third as large. Therefore, adjustment of production merely up to the existing level of national income would call for a quite substantial increase in economic activity.

Piecing together the most recent figures relating to department store trade, automobile sales, employment and payrolls, we get confirmatory evidence of a generally favorable status of, and prospect for, consumer purchasing power—as well as convincing signs of marked increase in consumer willingness to spend.

The public's willingness to spend for relatively costly durable products and luxury goods is a business factor of prime importance. The public state of mind, as well as actual changes in purchasing power, has a great deal to do with demand for automobiles, dwellings, refrigerators, furniture and household equipment generally. The sharp decline in demand for consumers' durable goods—contributing to even more severe decline in demand for capital goods—was far out of proportion to real shrinkage in purchasing power. It largely reflected fear and caution provoked by downward trend of incomes, business activity, security and commodity prices, etc. Belief that the Government program virtually guaranteed some degree of recovery, pronounced recovery in the stock market and various signs of tangible business betterment have all combined to reverse the depression psychology, to make (*Please turn to page* 598)

The Government vs. The Movies

Department of Justice Aims to Separate Producing from Distributing—What This and Other Problems Mean to Stockholders

BY C. F. MORGAN

"THE fack can no longer be disgised," said Artemus Ward on one occasion, "that a Krysis is onto us." And in some paraphrase of these words, the movie industry in the last few weeks has described its situation following announcement of the Government suit against the major motion picture companies charging violation of the Sherman Act. It is within the bounds of possibility that by the time these words reach type, a compromise satisfactory to the Government will have been arrived at. Such a compromise must necessarily entail an agreement that production and exhibition will be divorced. How this is to be accomplished and what form the resultant set-up will take should not be difficult to forecast. Unless all guessing is wrong the offer to the Administration will include:

1. Organization of separate corporate structures for production and exhibition.
2. No interlocking directorates.
3. No stock control of one corporation engaged in production over another corporation engaged in exhibition, or vice versa.
4. No restraint in film buying.

It is no secret that such a plan as that above would accomplish total elimination of block booking, one of the cherished objectives of the Attorney-General's office during several years, and, incidentally, one of the major squawking points of both independent producers and exhibitors. If the offer is made covering the area indicated in the four points the pari-mutual odds should be about 10 to 1 that it will be accepted.

And how will such reorganization affect the big picture companies?

Mindful of the reorganization forced upon Standard Oil, which did not to the naked financial eye reduce the dividends of holders of the split-up securities, this writer believes the effect will be beneficial. It should be understood that the present suit is no surprise to the movie makers. It has been in the air three years. Two years ago the Department of Justice had investigators in every motion picture organization both in New York and in Hollywood. They were given every facility and I think it can fairly be said that Mr. Cummings' men met with considerably more cooperation than they had expected. After all, Will Hays is a lawyer by trade, a politician by avocation, and has an acute sense of hearing for ground tremors in Washington. And it may be added that it takes a pretty smart man to dig $150,000 a year out of the cinema moguls and keep on doing it for fifteen years Much of this has been foreseen and prepared for.

Theaters Operated by Leading Companies

Producer	No. of Theaters Operated
Paramount	1,133
Warner Brothers	527
Twentieth Century-Fox	518*
Radio-Keith-Orpheum	124
Loew's	119
Total theaters in U. S.	18,818

*Has 42% interest in these.

While all producing companies are in measure affected, five only are largely interested in exhibition, these controlling between 2,500 and 3,000 theatres in the United States, most of them in the larger centers. Paramount, M.G.M. (Loew's), R.K.O., Twentieth Century-Fox and Warner Brothers are owners of the big chains, while Columbia, Universal and United Artists are in close affiliation.

In these columns last year there was brief discussion of the causes which led (a) producers to engage in exhibition to protect their market, and (b) exhibitors to engage in production to protect their supply of pictures. While the Government suit inclines to lay the responsibility for the dual role at Adolf Zukor's door, the retired Carl Laemmle was the first to enact the part. Owner of a chain of what were then known as "store theatres," he was buying his film entertainment for them at 10 cents per foot. Buying it, mind you, and not renting it as at present. As his theatres grew in number Uncle Carl began to wonder more and more what would happen should the producers of those days refuse to sell to him. The result was his IMP studio which in the course of time became Universal. It was not until comparatively recently that Laemmle sold his theatre

chain to his producing company.

Several of the producer-exhibitor groups have been fully aware that the market protection obtained through theatre ownership was being paid for through the nose. They were in exhibition because others were in exhibition. The condition of the great Fox-West Coast Theatre organization, its bankruptcy and the tribulations growing out of its financial distress, offer one of the best indications that theatre ownership is not always a sweet and solvent song.

That the split will be painless no one affected can believe. There will be readjustments and readjustments. The law of diminishing returns has been too often visible, and a producer's judgment in deciding whether or not to spend two or three million dollars in making a certain picture has undoubtedly been swayed by the knowledge that he had a ready market of his own to virtually guarantee him 60 per cent of his negative cost. By laymen there has been a tendency to liken picture making to automobile manufacturing or other mass production, but there is little or no similarity. A motor car company may spend a hundred million a year in making two or three models of cars all essentially the same, but each motion picture that is made is an experiment based on hope that the public will like and buy it in satisfying degree. No human being yet has appeared who can say in advance whether a manuscript even under the most expert guidance and with all the resources the studio can put into it, will win, or fail to win public favor. The manufacture of sixty features a year by a major studio will run to the expenditure of a sum that will be within shooting distance of a hundred million.

Courtesy Twentieth Century-Fox

If producers are separated from distributors, will such scenes as that above from the two million dollar Alexander's Ragtime Band prove impractical?

So, a bill of divorcement, as contemplated, may see fewer million dollar "epics" and a complete revision of production methods. True, the proposed theatre chain conceivably could purchase on contract the entire output of this or that studio, but in such a case it is very likely to insist on some sort of peek behind the scenes before committing itself. It was just such a situation that forced Adolf Zukor to go into the stock market and battle for control of the Paramount Distributing Corp., which had been contracting for the greater part of the Famous Players-Lasky output. Whether a theatre chain will want to buy a three million dollar picture sight-unseen is a question, in this commentator's opinion. The risk is heavy and the experience of one of the major studios in such case so far has not been encouraging.

This means, as noted, reorganization possibly in production method, but it should not affect earnings. In fact this writer would be surprised no whit if the dividend rate of at least four of the majors should increase. In so far as entertainment goes the motion picture has little competition. The stage has largely gone to join the horse and buggy; radio, despite the fervid bleatings of the small exhibitor, is but a spasmodic and not a regular competitor. Sports and the motor car may be ignored since they contribute as much as they take away.

Two of the majors are in difficulties. R.K.O. is still in the bankruptcy courts and Paramount is battling through an era of the strictest economy in an effort to regain its once prominent position. Warner Brothers, Twentieth Century-Fox and M.G.M. would seem in the best position to continue satisfactorily divorced from theatres; the first named because of its policy of rigidly controlling every phase of its business; the second because of the eclat gained from a goodly string of earnings, and the third because, while it may have slipped somewhat from its dominant earning position, still has enormous resources in personnel and money.

While the motion picture business is young, it is no younger than the automobile industry. In fact they are of an age, and may be said to have grown up together. There is little analogy beyond their age, however, since one is definitely an industry and the other a hybrid in which art and industry are indissolubly coupled. Sooner or later, however, the movie makers are going to find that they cannot continue to produce pictures without some definite knowledge of the preferences of the public. At present a somewhat rule-of-thumb method—similar to that of the stage producer—persists. In a word, the studio boss, using his own judgment, decides whether a story in MS. form is likely to be successful or not. His judgment may be affected by a dozen factors of which he is unconscious and these may vary from day to day and from year to year. And he may, too, be without knowledge of the (*Please turn to page* 597)

Happening in Washington

BY E. K. T.

President's primary interference means he will not compromise during next two years or more with what he considers un-liberal political factors. Whether or not candidates he opposes are defeated he will have a more open battle with the next Congress. Lines of liberal-conservative cleavage will be more sharply drawn within Democratic ranks. This may mean that tacit coalition of Republicans and conservative Democrats in Congress will be able to block much New Deal legislation, but he realizes this risk and is prepared to capitalize on such an event since it would further his unannounced but generally understood aim of forging a thorough-going liberal national party either by driving conservatives out of Democratic or by pulling liberals from all groups into a third party.

New Deal completion is Roosevelt's objective, whether by his hand or his chosen successor. He conceives his many reforms and innovations as merely a start toward a new era which may take a generation to perfect and that any reversal would be disastrous to society (and to his place in history). *Therefore he will drive on regardless of the size and source of opposition. There will be no breathing spell; rather a continuous battle, particularly a battle within Democratic ranks.*

WASHINGTON SEES—

Roosevelt's interference in primaries to draw sharper liberal-conservative lines.

Control of party in 1940 the real issue now.

Lines forming for battle on next tax law.

Campaign afoot to split "Solid South."

Wage-hour machinery being established.

S E C studying private corporation financing.

Proxy rules aimed at minority control.

Banking legislation being discussed.

Labor Board meeting court reverses.

Tax battle lines are forming for inevitable 1939 revenue act. There is disagreement within Treasury over what to recommend, particularly revival of old corporate surtax and capital gains tax and the division will be sharper in Congress. Pat Harrison, key Senate tax man, is heading for complete break with administration, *opposing general revenue revision, proposing final elimination of corporation undistributed profits tax, hinting at broadening personal income tax base which administration fears because of political effects.* But with deficit increasing, the tax battle must be faced by Treasury. Elimination of new federal tax-exempt bonds and reciprocal federal-state taxation of all securities and employees probably will be asked by administration without constitutional amendment, and this will meet much opposition in Congress.

Crop troubles are growing, showing the New Deal has not solved the farm problem either politically or economic-wise, though Wallace insists 1939 program, which will be first real test of new law, will improve situation greatly. Revolt against quotas is growing in many sections, with good yields but low prices, and politicians are exploring ideas for boosting prices before elections. By stretching a point, A A A avoided vote on corn marketing quotas, which would have been political dynamite, but there is the probability of mandatory corn loan by fall which is politically better but economically less sound.

Wage-hour law machinery and preliminary interpretations will be ready by mid-September. Labor Dept. has been doing much preliminary work unofficially and labor and business groups have started studies of wage conditions and have drawn slates of nominees for industry committees, preparing to move rapidly when law takes effect October 24. *Many businesses are reported attempting to separate production from distribution, hoping to*

escape wage-hour law because of difference in definition of interstate commerce in this and Wagner act, but this difference is slight and Administrator will be inclined to follow N L R B definition of commerce which (if upheld by Supreme Court) will permit few exceptions for local and intrastate businesses.

N L R B reverses by circuit courts are becoming more numerous, and nearly a dozen will be before Supreme Court this winter. Some involve board procedure, some important labor practices, and others vital interpretations of interstate commerce. Undaunted, board continues to claim jurisdiction over all types of local enterprises which it holds affect interstate commerce.

Supreme Court vacancy not expected to be filled until after November elections though Court meets in October. Several trial balloons are being sent up, prominently Prof. Felix Frankfurter whose name has so far drawn little conservative fire though he is the mentor of many brain trusters.

Wide World

Felix Frankfurter—a trial balloon suggestion for the Supreme Court.

Higher oil tariff will be sought by coal and some oil interests if present import tax is not cut or bound in pending Venezuela trade agreement. Chief plea against such action is that Congress should be free to raise barriers whenever imports threaten to increase above their present relatively low figure.

Corporate financing through private placement with insurance companies and big banks, avoiding S E C registration required for public offerings, is alarming smaller bankers who fear growth of this practice may make it difficult to get prime bonds for diversified portfolios. S E C is interested, may study problem in connection with its part of monopoly investigation which is starting with investment policies of insurance companies but will get around to big savings and commercial banks, private bankers, and investment trusts.

Proxy rules for corporations, just issued by S E C, will force disclosure of details of questions to be voted, identity and interest of proxy solicitor, qualifications of director candidates, financial information, etc. *This is in keeping with general New Deal policy of more democracy in business and more information for investors, but major purpose is to break up corporation control by minority financial interests,* since under new rules ownership of virtually a majority of voting stock will be required to assure control of a company.

Rail legislation will be big problem before next Congress, though administration experts are little nearer agreement than last spring when Roosevelt dumped whole matter on Congress with no results. Business will attempt to take the reins through transportation conference called for next month by U. S. C. of C. Meanwhile I C C apparently is leaning to view of many brain trusters that in consolidations and reorganizations stockholders should be largely ignored in preference to bondholders.

Banking legislation is being discussed in Capital circles, but guardedly because of many jealousies. Possible subjects include holding company control, chain and branch banking, integration of supervisory agencies, new rediscount policies, great Reserve Board power over deposit reserves, further government control of credit facilities. Monetary authority idea will come up again and may gain some administration support. Greatest interest is in schemes to force credit into commercial activity in slack times, which may result in federally financed banks for intermediary business credit; small businessmen groups are plugging for this. Liberalization of S E C's financing rules is also being considered.

Utility regrouping as painlessly as possible is hope of S E C in administering "death sentence" provision of holding company act. Companies must submit tentative plans for simplification, suggesting units they want to buy or sell to achieve geographic integration. S E C will then work out a plan of reshuffling, meeting preferences where possible but retaining the final say. This, rather than indefinite procrastination, is Douglas' conception of friendly and cooperative enforcement.

Truck restrictions on weight and size will be studied by I C C with view to uniform federal regulation. Almost every state has different rules, which imposes great hardship on interstate motor carriers.

Milk trust suit by Department of Justice is being watched closely by A A A, which complains that local health regulations unduly hamper free marketing of milk and constitute barriers to interstate commerce. A A A is interested in retaining and extending its own milk marketing programs. Question ultimately may be one of federal vs. local control.

Federal Trade Commission has greatly speeded up its output of unfair practice cases, largely due to new law which does not require proof of injury to competitors. F T C sees its job as protection of public from gross and minor trade deceits. Advertising part of new law has not yet shown its teeth, but commission is preparing to act.

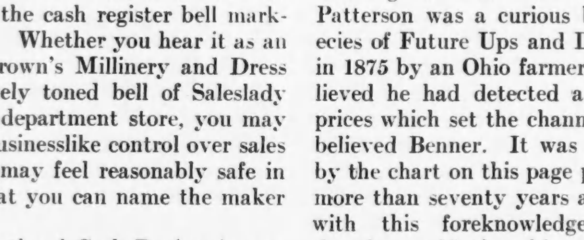
Engineering Skill Plus Salesmanship

National Cash Register Has Both—

BY JOHN C. LLOYD

If there is a single adequate symbol of American success in merchandising, it is one to be heard rather than seen—the cheerful clang of the cash register bell marking a completed transaction. Whether you hear it as an outmoded tinkle in Mrs. Brown's Millinery and Dress Shoppe or as the distinctively toned bell of Saleslady No. 1086 in a metropolitan department store, you may take it to signify the same businesslike control over sales income. Furthermore, you may feel reasonably safe in offering nine to one odds that you can name the maker of both machines.

The liberal odds reflect National Cash Register's possession of 90 per cent of the domestic market, despite the fact that close to half of its sales are in foreign lands. Only fifty years ago it lay between every clerk and his conscience how much of each receipt should follow its appointed route toward the profits of the business, how accurately records should be kept or sales classified. Today National Cash Register has 18,000 people making, servicing, and selling this and similar equipment. Sales volume last year was $51,440,000, net profit $3,921,000.



John Henry Patterson was the man who forced the cash register down the world's throat and made it ask for more, the man who stamped his company with his own personality, and most remarkable, who believed he could lick depressions by foreseeing them and going out to fight them. His methods were brand new, forerunners of the high-pressure technique, circulars, bonuses, liberal commissions, and eternal pressure to make last year's efforts look feeble. Drives, contests, and personal inspiration were focussed on his salesmen, particularly when he expected a slump and when ordinary men would have been content to dig in on the defensive.

The guide to the future reputed to have been used by Patterson was a curious book called "Benner's Prophecies of Future Ups and Downs in Prices," brought out in 1875 by an Ohio farmer and bookkeeper. Benner believed he had detected a regular cycle of commodity prices which set the channel for business, and Patterson believed Benner. It was an ambitious idea, as shown by the chart on this page projecting good and bad times more than seventy years ahead of the forecast. Armed with this foreknowledge, Patterson felt confident that he could time his greatest sales efforts to offset and perhaps take advantage of depression years.

Selling has always been the immediate problem, from the time when the company first tackled it in the eighties up to the very present. At first the obstacle was pure ignorance of the need for a cash register and hostility to the idea back of it. Clerks, whether honest or otherwise, resented the obvious police duties of the machine. Salesmen trying to get in to see the owner of a store in order to make a demonstration ran the gamut of a solidly opposed staff of employees. It is even understandable how the natural conflict should have dramatized the importance of the invention. Certainly no prospect could afford to ignore a device so dreaded by his staff when the possible reason for the dread was so plain. Every time a bartender expressed his feelings toward the newfangled gadget with a crow-bar, he helped prove Patterson's case.

Soon it became more definitely a question of justifying the cost of the machines, far from easy in the case of men accustomed to judge value by size and un-

familiar with tightly condensed mechanisms. Patterson told them they couldn't afford to be without one, cited instances where the registers had paid for themselves in the first year of a long life. He did such a workmanlike job of manufacturing and such an inspired job of selling that he created a new problem. The saturation point was being reached as fewer and fewer enterprises of any size were left unsupplied with cash registers, and at the same time it became apparent that the sturdy construction in which the company prided itself was making the machines practically indestructible. Unlike the automobiles of the day, they refused to wear out and make room for a new sale.

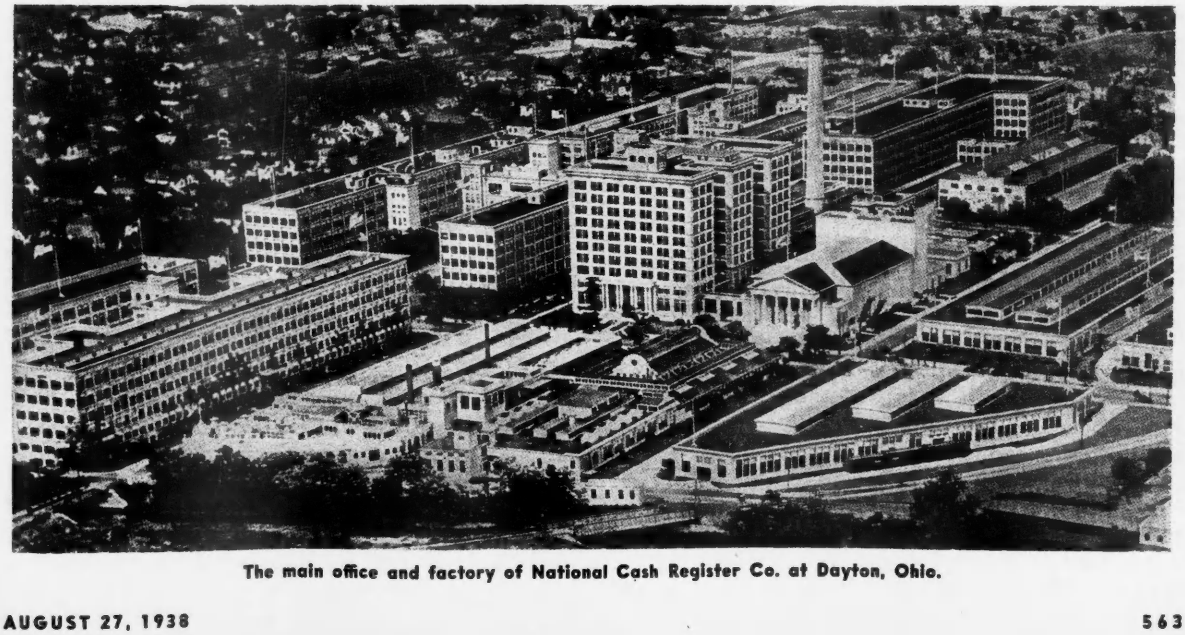
The solutions were characteristic. First, find new markets. England, Canada, France, South America, Australia—there were no boundaries to the need for this equipment. National Cash Register became aggressively international. Second, sell to present owners by making the new models so much better it will pay to turn in the old ones. There was no sharp practice in the policy. Changes in appearance have been limited; the improvements have been in what the machines could do and how efficiently they could do it. Finally, the company turned its development efforts in other directions, bought other patents and factories, and with widening lines of adding-typewriting machines and elaborate accounting equipment was able to tap additional markets, both domestic and foreign.

Meanwhile, the business had passed from the control of Patterson, who died in 1922, and had become publicly owned through a large issue of "A" stock later changed to common. Today there are 1,628,000 shares of a single class, the company's sole capitalization. Although not strictly comparable, because of changes in the capital set-up, it is illuminating to note that the "A" stock sold as high as 148¾ in 1929, as low as 5⅛ in 1933; and the common at 27 is currently near the mid-point between its 1937 high and its 1938 low.

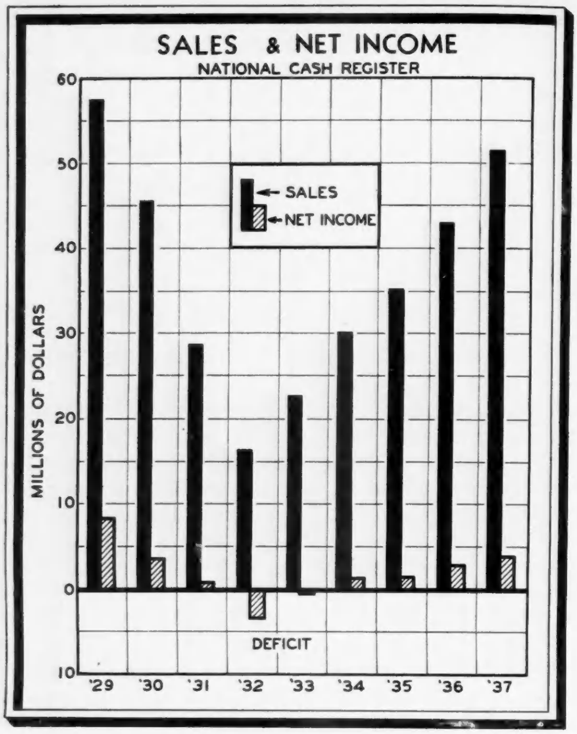
Several hundred types of cash registers are now produced, spread over a wide price range. Some of the largest contain individual drawers for each of a number of salesmen, carrying both separate and grand totals among the different merchandise classifications, and with bells toned to prevent interference between those operating them. Then there are the elaborate machines used by banks to record deposits or withdrawals in the pass book, enter them on the journal contained in the machine and also on the customer's ledger card which is inserted at the time of the transaction. Specialized equipment is also supplied for the needs of hotels, brokerage houses, and similar fields. Competition is mainly on a price basis from combination adding machines and cash drawers.

National Cash Register is thus far from a one-product outfit, and the diversification built up over the years has already begun to show results. As the company says in its last annual report: "The success of this business is dependent primarily upon research, engineering and the development of new inventions and products." Expenditures during 1937 on this work amounted to $739,932, while more than $2,000,000 in addition was spent on special tooling and on new machinery and equipment. Dividends of $1.25 per share paid last year came to only $2,035,000, net earnings to $3,921,000 or $2.40 per share, giving a standard of comparison for judging the attention paid to development work. There is no more vital hostage to the future than this type of preparation.

The sales force consists of over 3,000 representatives spread through 75 countries, assisted by another 2,000 trained men who service and repair the machines. Most of the sales are made on an instalment basis, with repossessions rising in response to the same factors of falling retail trade which tend periodically to restrict sales. The variations in both items have been as wide as might be expected. Net sales after allowing for repossessions fell from $57,610,000 in 1929 to $16,480,000 at the bottom of the depression, then rose to $51,440,000 last year. Profit margins have also been highly variable, the comparison between the 1929 figure of 14.5 per cent



The main office and factory of National Cash Register Co. at Dayton, Ohio.



ture. Exchange restrictions affecting the German factory have prevented the company from including any of its earnings among parent income.

Because so great a proportion of sales are made on an instalment basis, with the company financing its own accounts receivable, a considerable part of current assets is regularly used in this way. At the end of 1937 receivables less reserves amounted to somewhat under $14,000,000 and inventories to close to $10,000,000. Cash of $1,879,000 and miscellaneous receivables of $682,000 completed the current asset total of $26,435,000 from which current liabilities of $6,652,000 were to be deducted, leaving net working capital of $19,784,000.

Notes payable carried among current liabilities amounted to $2,335,000 and those due in the next two years to another $3,000,000. Payment of these notes has recently been arranged by the private sale of $6,000,000 debentures to an insurance company. The debentures are subject to a sinking fund beginning in 1944, bear a 3¼ per cent coupon, and fall due in 1953. The pressure to keep either inventories or receivables or both within strict limits in order to provide for nearby note maturities has thus been eliminated, leaving the company free to make its plans over the longer term without fear of a cash stringency. Nevertheless, it appears certain that the dividend policy will continue to be affected by the nature of the business which places a high premium on cash whenever a decline in general prosperity sends sales lower and brings repossessed machines back onto the company's hands in quantity.

and the 1937 figure of 7.6 per cent constituting a good example. A further drop in profit margins and sales occurred in the first half of the current year, although net income of 90 cents a share for the period as against $1.23 a year earlier was satisfactory.

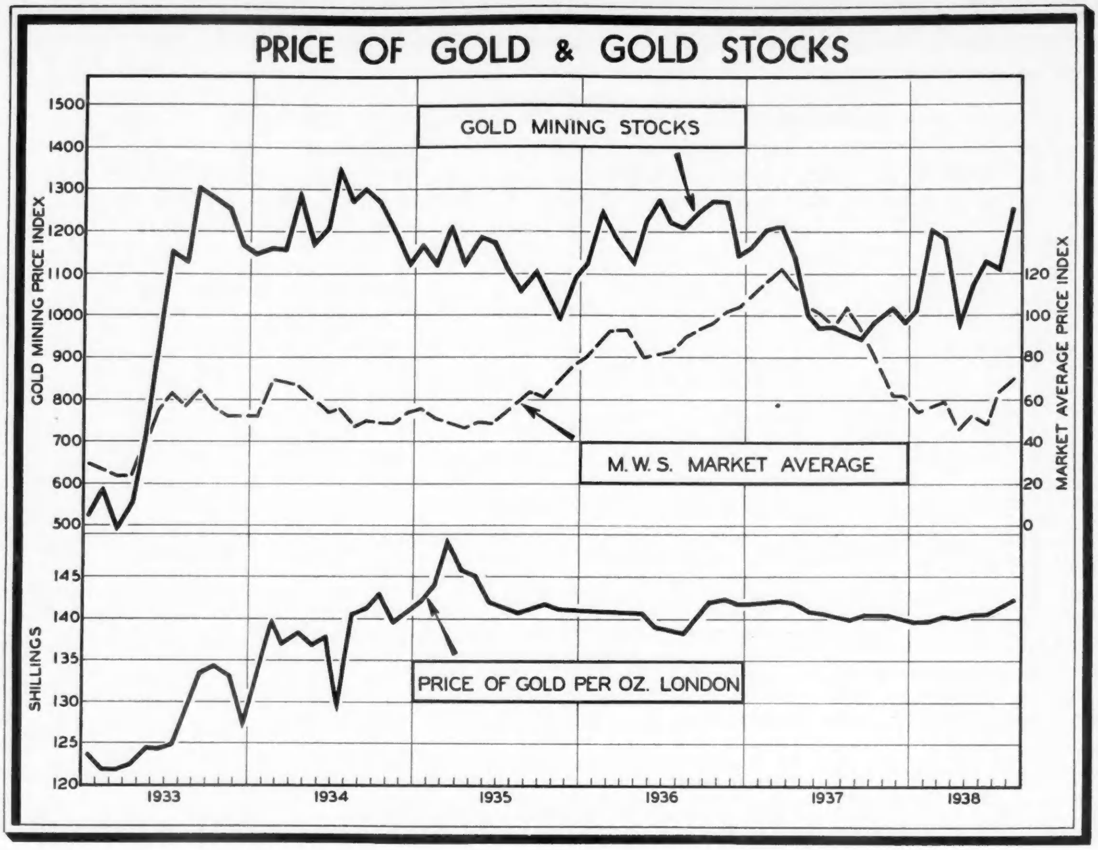
The trend of sales overseas has been very encouraging. An increase in this direction of 33 per cent was recorded last year, as compared with 9.9 per cent growth in domestic business, and the proportion of foreign revenues rose to 46 per cent of the total. One of the largest jumps was in South America, where the increase amounted to 70 per cent, giving this section 10 per cent of total foreign sales. Approximately 44 per cent of the total overseas business was with the British Empire, sales there showing a gain of 27 per cent over 1936. World headquarters has been established in London, scene early this year of the first convention of all foreign branch managers. South American headquarters will be in Buenos Aires.

Sales in the Far East have never been important, forming only 4½ per cent of last year's foreign business, although a factory in Japan is maintained, the outcome of a merger several years ago between National's Japanese subsidiary and the Nippon Cash Register Co., locally owned. In the same manner, a combination was made with the Krupps interests in Germany. Business of the Japanese plant declined during late 1937, and will probably continue to lose in relative importance over the near fu-

Other balance sheet items are few and simple. Investment in foreign branches is carried at $9,930,000, made up of cost of plants less depreciation, plus liquid assets and miscellaneous investments, the total after all liabilities reduced by a reserve for contingencies of just under $3,000,000. Domestic plant and equipment has a book value of $10,091,000 after a $6,730,000 depreciation reserve. Patents, good-will and other intangibles are carried at $1. Prepaid expenses and other investments total $574,000. After general and contingent reserves of $1,534,000, capital and surplus are valued at $35,845,000, which would give the common stock a book value of $22.02 per share.

The company announced its working capital position at mid-year, showing a slight decrease in this item, but the financing arranged since then has brought net working capital close to the (*Please turn to page* 599)

National's factory in Berlin, Germany.



Scrambling for Gold

BY J. S. McCORD

THERE has been no bear market in stocks of gold mining companies. Whether in London or New York, reactions have been but pauses in a major bull market which is now more than seven years old in England, more than five years old here—and likely to run on for an additional span of years.

In a world of highly uncertain values, the *least* uncertain value is gold. It is the safest haven for frightened capital. In countries where ownership of the metal or of gold coins is legal, large and small capitalists have bought it—and continue to buy it—in record-breaking volume for hoarding. London is the great free market for gold. Recent heavy demand for it there, spurred by Continental war fears, automatically is reflected in higher sterling price for gold, lower gold value for sterling and—since our dollar is tied to a fixed gold price of $35 an ounce—lower dollar price for sterling.

But the picture is complicated by other factors also. Deterioration of the British trade position—and the aggregate trade position of those countries whose currencies are tied to the pound—likewise has exerted pressure on the dollar price of sterling. Moreover, there has been some speculative selling of sterling on unverifiable rumors of a coming grandiose deal involving a British-American trade agreement, settlement of the British war debt owed us and stabilization of the pound, franc and dollar with simultaneous further devaluation of all three. The rumor probably takes in too much territory, especially as to permanent stabilization.

The tendency of a declining dollar price for sterling is to exert pressure on our commodity price level. If such decline halts at the historical ratio of approximately $4.86, such pressure would terminate, but speculators are moved by uncertainty whether the old ratio *will* be the stopping point.

Regardless of the always confusing near term trends, in terms of gold value the long run trends of currencies of all major European nations is downward. Preparation for war means mounting deficits and increasing financial strain. An end to the armaments stimulation would mean severe economic dislocations. War itself would mean major and fast currency depreciation.

Recovery Outlook and Mid-Year Dividend Forecast

Part III—Oils, Aviation, Metals, Merchandising (Chain and Department Stores), Building and Miscellaneous

Both earnings and dividend outlook are of primary concern to investors at this time. Unfavorable second quarter reports for many companies are reflecting the poor level of general business throughout the first half of the year, but with modest improvement discernible in many lines these figures seem unlikely to be duplicated in the following six months. Dividend margins that have been perilously impaired may consequently be bolstered. On the other hand, the drastic modification of the undistributed profits law relieves a great number of companies of the necessity of paying out so large a proportion of their earnings as heretofore and may result in rates being reduced in order to rebuild reserves. The months between now and the year end will doubtless see many significant changes in accordance with the course of business profits.

Two fundamental factors, the industry and the company itself, are used to form our ratings. The letters, A, B, C, D, are used in connection with the industry according to the current and prospective activity in the field. These letters are not concerned in any way with individual companies. The numbers, 1, 2, 3, 4, are used for rating the company on its earning power, current and prospective.

INDUSTRY	COMPANY
A—Active, further progress indicated.	1—Good earning power; substantial gains indicated.
B—Active, further progress may be slow.	2—Improvement in earnings expected.
C—Depressed, prospect for recovery favorable.	3—Gain in earning power may be slow.
D—Depressed, no nearby improvement indicated.	4—Earnings outlook unfavorable.

Under such circumstances this Mid-Year Dividend Forecast should prove of particular interest and help. For convenience it is presented in three parts.

Part I, covering the Railroads, Public Utilities as well as the railroad, electrical, business, agricultural and machine equipment companies appeared in the issue of July 30. Part II dealing with Steel companies, Motors and Accessories, Tires, Chemicals, Foods, Tobaccos, Liquors and Movies was in the issue of August 13. Part III dealing with: the Oils, the various divisions of Merchandising, Metals, Aviation and Building as well as Miscellaneous industries appears in this issue.

The tables and comments comprising this feature are accompanied by our investment ratings which are explained in the table above.

Improvement in Oil Earnings Expected

With only a few exceptions, the leading oil companies all reported lower earnings in the first six months of the current year. While the experience of the oil industry in this respect does not differ from that of the majority of other industries, profits in the oils were hit heavily by lower prices rather than a marked deterioration in consumption. Average prices received by refiners in the first half of this year were on the whole the lowest since 1935. Consumption of *all* petroleum products, on the other hand, in the same period was only about 5 per cent under that of a year ago. Consumption of gasoline actually registered a small increase, less however than the normal trend. Consumption of kerosene, responding to heavy farm demand, registered an appreciable gain. The greatest decline was shown in heavy fuel oil, consumption of which was off 16 per cent. Normally the demand for this type of oil accounts for about 28 per cent of a barrel of crude and is utilized principally by industry, railroads and shipping, all of which were materially less active in the first six months of this year than they were a year ago. A 28 per cent increase in exports this year was one of the brightest spots in the oil industry.

Among refined products, the price structure of gasoline was most seriously disrupted—so much so that some refiners operated at a loss and others were compelled to shut down plants. During this period the price of crude oil remained virtually unchanged which placed an addi-

tional obstacle in the path of profitable operations, as most companies, under pro-ration schedules, do not produce sufficient crude to take care of their refinery needs.

Excessive production is responsible for most of the problems experienced by the oil industry. Last year production and crude runs to stills reached the highest levels in the history of the industry, just prior to the slump in general business. Before production and crude runs could be curtailed to a point more nearly in balance with consumption, the industry was well into 1938. Last March gasoline stocks totaled 86,149,000 barrels, the highest ever recorded. Through the expedient of Saturday and Sunday shut-downs and a reduction in allowables on the part of major oil producing states, crude output has been brought within reasonable bounds and heavy seasonal consumption has reduced stocks of gasoline to within about 8 per cent of those a year ago. In the week ended August 5, stocks of gasoline declined 1,484,000 barrels, or about in line with the required weekly reduction in order to bring supplies down to the equivalent of about 40 days' requirements by the end of the summer season. This would be regarded as normal for that period. Meanwhile there has been some improvement in the price structure of refined products, with most distributors in a number of large consuming areas resorting to price contracts, seeking to avoid recurring price wars.

In the second quarter of this year, earnings of representative oil units showed an average decline of nearly 20 per cent from first quarter levels and a drop of more than 36 per cent from the second quarter level a year ago. Six months' earnings were off more than 30 per cent from the levels a year ago. Results in the third quarter and the last six months should show at least moderate improvement but for the full year most companies will fail to do as well as in 1937. Exceptions may be shown in the case of several large crude producers and integrated units serving the West Coast, where marketing conditions have been more stable. In most cases, however, major companies are still earning regular dividends by a fair margin.

Position of Leading Oil Stocks

Company	Earned Per Share 1937	1st six months 1937	1st six months 1938	Price Range 1938 High	Price Range 1938 Low	Recent Price	Divs. Decl'd 1938	Market Rating	COMMENT
*Amerada	3.04	1.36	1.12	78	55	71	1.50	B-2	Important producing unit. Per-share oil reserves large. Dividends likely to be maintained on $2 annual basis.
Atlantic Refining	3.51	1.18	0.96	27⅜	17¾	23	0.75	B-3	Large refiner and distributor, purchasing substantial portion of crude requirements. May earn $2 this year.
*Barnsdall Oil	0.84	0.56	0.75	21⅜	10⅛	18	0.75	B-2	Sizable reserves. Current earnings afford comfortable margin for dividends.
Consolidated Oil	1.44	0.66	0.50(e)	10¾	7	10	0.60	B-3	Earnings lower but sufficient to cover dividends.
Continental Oil	2.98	1.68	0.65	35¾	21¼	33	0.75	B-3	Restricted crude production and lower refined prices cut net. Dividends secure.
Creole Petroleum	1.61	NF	NF	27½	17½	22	0.25	B-2	Holds valuable oil properties in Venezuela. Current earnings reported on par with '37.
Gulf Oil	3.51	NF	NF	46⅞	33	42	0.50	B-3	Current earnings probably lower. May pay another small dividend.
Houston Oil	0.95	0.60	0.52	9¾	5	8	None	B-3	Oil and natural gas producer. Reserves now largest in company's history.
*Humble Oil	5.22	NF	NF	72⅝	56	70	1.37½	B-2	Major producing unit in Standard Oil (N. J.) group. Divs. will probably total $1.50.
International Petroleum	1.81(a)	NF	NF	31¼	23	26	1.25	B-3	Owns valuable producing properties in South America. Further dividends probable.
Mid-Continent Petroleum	2.85	1.66	0.56	22⅝	12¼	18	0.25	B-3	Earnings likely to be better in third quarter. May pay larger dividend before year-end.
Ohio Oil	1.31	0.77	0.16	14⅞	9	10	None	B-3	Drop in earnings reflects shut-downs in Texas fields. Will retire preferred and negotiate new financing.
Phillips Petroleum	5.42	2.85	1.26	44⅜	27¼	41	1.50	B-3	Sales at a new high but net cut by low gasoline prices. Company planning new 3% convertible bond issue.
*Plymouth Oil	2.85	1.30	1.31	25⅜	15	23	0.70	B-2	Earnings impressive and current dividends should total $1.40 at least.
Pure Oil	2.15	NF	0.60(e)	13½	8¼	11	None	B-3	May do better in last six months. If so a small dividend would be possible.
Seaboard Oil	1.97	0.99	0.71	27½	15½	22	0.75	B-2	Large crude reserves on per-share basis. Pro-ration schedules cut current earnings.
Shell Union	1.44	0.57	0.37	18⅜	10	16	0.35	B-3	Strengthening in gasoline prices should result in some earnings improvement. Another div. at year-end likely.
*Skelly Oil	6.06	3.22	1.09	34¾	18½	27	0.50	B-3	Higher costs and low gasoline prices take substantial toll of profits. Some improvement likely.
Socony-Vacuum	1.82	1.01	0.65(e)	16⅜	10¾	15	0.50	B-2	Dividends covered by a satisfactory margin. Outlook moderately better.
South Penn Oil	4.64	3.28	0.85	39	28¾	36	1.00	B-2	Earnings hit by lower Pennsylvania crude prices. Divs. reasonably secure.
Standard Oil of Cal.	3.15	1.36	1.19	34⅞	25⅛	31	1.05	B-2	Sustained earnings reflects relatively more stable conditions in company's marketing territory.
Standard Oil of Indiana	3.66	1.83	1.06	35½	24¾	32	0.75	B-3	Earnings running behind last year, but cover dividends by a fair margin.
*Standard Oil of N. J.	5.64	NF	NF	58⅜	39¾	54	1.00	B-2	Estimated first half earnings off 25%. Shares are of investment calibre.
Standard Oil of Ohio	3.66	NF	NF	22¾	16¼	22	0.75	B-3	Current earnings probably off as a result of lower gasoline prices.
Sun Oil	4.17	1.90	0.63	59	45	56	0.75	B-3	Shipbuilding activity aids gross but net depressed by poor price situation in first six months.
Texas Corp.	5.02	2.48	NF	49⅝	32⅝	45	1.50	B-3	Current earnings likely to show effects of weakness in gasoline prices. Divs. of $2 reasonably assured.
Tide Water Assoc.	2.09	0.99	0.76	15¾	10⅛	14	0.75	B-3	Earnings off but sufficient to support 25-cent quarterly div.
Union Oil of Cal.	2.58	1.11	1.06	22½	17⅛	21	0.90	B-2	Stable earnings reflect better refined prices on West Coast.

*—In our opinion, the better profit opportunities. (a)—Fiscal year ended June 30. (e)—Estimated. NF—Not available.

No Depression in Aircrafts

So far as the aircraft manufacturing industry is concerned the current depression has been the "other fellow's" problem. In the second quarter of this year aggregate sales and earnings of the leading aircraft and airplane engine makers established new high records. According to official figures, deliveries of airplanes, engines and parts in the June quarter had a value of $41,108,363, an increase of more than 47 per cent over the same quarter a year ago and 19.3 per cent above the fourth quarter of last year, in which the previous high level was established. Profits of manufacturers accounting for about 80 per cent of the industry's total output in the first half of this year were almost as large as they were in the full 1937 year.

Notwithstanding record-breaking activity in the first six months, most manufacturers still have a large volume of unfilled orders and, barring unforeseen developments, total shipments in the final half year are likely to record a gain of 25 per cent over the same months last year. Recently there have been unconfirmed reports that several very large orders have been placed, including an order for a single plane to cost about $2,000,000. Development costs still take a fairly heavy toll of earnings, it being the policy of the industry to charge the cost of developing new planes to current earnings. The real profits are made on repeat orders, on which costs may be reduced as much as 75 per cent. However, with the industry approaching greater standardization, the item of development costs may not bulk as heavily in future operations. On the other hand, manufacturers working on Government contracts (which comprise the bulk of the current business) are threatened with increased labor costs under the provisions of the Walsh-Healey Act. This factor was considered in some detail in a discussion of the aviation industry which appeared in THE MAGAZINE OF WALL STREET dated July 16.

The latter article also featured a discussion of the export prospects, an important consideration in the industry's outlook. In the first six months of this year exports of airplanes, engines and parts totaled $37,100,000 as compared with $16,300,000 in the same period a year ago. Export demand appears likely to continue active, although ample reservation must be made for the possibility of a European war.

Air transport companies are currently feeling the effects of lower fares and reduced traffic volume. Recently, however, traffic has picked up somewhat and the summer peak season of air travel may reduce the lag considerably. Within a few weeks the new Civil Aeronautics Administration will begin to function and the transport branch of the industry is practically unanimous in its belief that this will mark a material change for the better in their affairs.

While the securities of companies in both divisions of the aviation industry remain essentially speculative, and at the best only modest dividends can be expected, as such they nevertheless possess the dynamic possibilities of a rapidly growing industrial field.

Position of Leading Aircraft and Aviation Stocks

	Earned Per Share	1st six months		Price Range 1938			Divs.		
Company	1937	1937	1938	High	Low	Recent Price	Paid 1938	Market Rating	COMMENT
American Airlines	0.32d	NF	NF	15¾	8	15	....	A-3	A leading air transport company. Current traffic up but fares lower. No early dividends likely.
Bell Aircraft	0.25	NF	NF	16	8⅞	12	....	A-2	Has sizable Government orders. Further gain in earnings might warrant modest dividend.
★Boeing Airplane	0.51	0.44	NF	35½	20⅛	26	....	A-2	Orders large but development costs delay earnings gain. Shares have speculative promise.
Consolidated Aircraft	0.68	NF	NF	19½	11	14	....	A-2	Has large navy contracts. Finances strong. May pay year-end dividend.
★Curtiss-Wright	0.04d	0.03d	0.14	6	3¼	5	....	A-1	Second quarter earnings largest of any company in aviation industry. May pay dividend on Class A shares.
Douglas Aircraft	1.90a	0.92b	1.91b	54½	31	48	....	A-2	Current earnings up. May pay a dividend before year-end.
Fairchild Aviation	0.41	0.25	0.47	5⅞	2	5	0.15	A-2	Current unfilled orders moderately higher. May pay another dividend later this year.
Irving Air Chute	1.40	NF	NF	12¼	7⅜	11	0.50	A-3	Unfilled orders fairly large. Further dividends likely.
★Martin (Glenn L.)	1.32	0.61	1.46	27¼	14⅛	23	....	A-2	Bookings substantial and prospects favor inauguration of dividends.
Grumman Aircraft Eng. Co.	0.32	NF	NF	11¾	8¼	11	0.25	A-2	One of the smaller manufacturing units. Orders mounting. May pay another dividend this year.
★Lockhead Aircraft	0.21	NF	NF	16⅛	5⅝	15	....	A-2	Unfilled orders on June 30 totaled $21,300,000 vs. $3,370,000 a year ago. Working capital needs may delay dividends.
National Aviation	0.15	0.31	0.29d	10¾	6	8	....	...	Equity value equal to $12.97 a share on June 30, last. Holds large blocks of leading aviation units.
★North American Aviation	0.14	0.02	0.17	11	5⅞	9	....	A-2	Operations in recent months have been at record levels. Shares have speculative merit.
Pan-American Airways	0.37	NF	NF	19⅝	12¼	14	0.75	A-3	Company steadily expanding scope of its facilities. Further dividends likely.
★Sperry Corp	1.38	NF	NF	25¾	15⅝	24	0.60	B-2	Current operations being sustained at a high level. Output diversified to include industries other than aviation.
★United Aircraft	1.52	0.67	0.95	30¼	19½	27	0.50	A-1	Unfilled orders still large, and further earnings gains likely. Shares have long term possibilities.
United Air Lines	0.52d	0.46d	NF	11⅜	5	9	....	A-3	Heavy costs and lower fares cut net, but may show a small profit for the full year.

★—In our opinion, the better profit opportunities. a—Year ended Nov. 30. b—Six months to May 31. d—Deficit.

Prospect Favors Metals

WITH only one or two exceptions, current earnings of leading mining companies at the half year mark were substantially under those of a year ago. The non-ferrous metal group—copper, tin, lead and zinc—were perhaps the hardest hit, owing to the combination of adverse factors made up of a sharp decline in consumption, particularly in the United States, and average prices too low to permit only the lowest cost producers to show any reasonable earning power. In the circumstance, operating costs were proportionately large. Silver mining units are feeling rather acutely the decline in world silver prices and the lowering of the price at which the Treasury will purchase newly mined domestic silver. Although gold mining companies have begun to feel the strain of higher operating costs, earnings for the most part have retained their characteristic stability. Among miscellaneous mining enterprises, International Nickel, the world's leading producer of nickel, and Climax Molybdenum, the leading producer of molybdenum, have been able to show relatively better operating results this year than the mining group as a whole. In this achievement, both companies had the benefit of heavy export demand.

Since the first of July, however, prospects for the mining group have taken a hopeful turn for the better. All leading companies promise to show improved earnings in the last six months. This forecast excludes the silver companies which, unless for some peculiar reason the Government increases its bid for silver, have no alternative than to make the best of the present situation.

In support of the improved metal prospect, may be cited the more encouraging outlook for business generally. Building, which all things considered has done quite well thus far this year, may quite conceivably expand at an accelerated pace, although the effects of the large public works program of the Government may not be fully apparent until next spring. The automobile industry, another important consuming outlet for non-ferrous metals is warming up for a much more active producing and selling season than was being anticipated only a few months ago. It is still rather doubtful to what extent the public utilities may be expected to enlarge their capital outlays. It appears reasonably certain, however, that any sustained upturn in the consumption of electrical energy will encourage utility companies to increase their budgets and there is at least a speculative possibility that once the industry becomes reconciled to the functioning of the Public Utility Act of 1935, and which may prove less onerous than anticipated, public utility expansion may attain something approaching its potential volume. This would mean much to the metal industry particularly the copper and lead companies. And finally, there appears scant likelihood that export demand for copper and other metals chiefly for rearmament programs, is due for an early falling off.

Any reasonable upturn in the consumption of metal this fall and winter will render timely aid in correcting the unbalanced statistical position of lead, copper and zinc. Difficult at any time, the problem of adjusting production to conform closely with consumption over the past ten months was made doubly hard by the suddenness and rapidity of the decline in industrial demand. Latest statistics, however, disclose the results of curtailed production and a moderate upturn in demand. Rising stocks of metal above ground, and their threatening implications to the price structure, apparently have reached their peak. As a result it has been possible to advance prices of copper, lead and zinc. Rising prices have encouraged forward buying, particularly in copper.

The metal industry, like other capital goods industries, is following the policy of adjusting dividends closely to earnings, rather than attempting to maintain any fixed rate. Most units are likely to continue conservative in the matter of dividends and any general increase in payments may not be witnessed until late this year or even early in 1939.

Position of Leading Mining and Metal Stocks

Company	Earned Per Share 1937	Earned Per Share 1st six months 1937	Earned Per Share 1st six months 1938	Price Range 1938 High	Price Range 1938 Low	Recent Price	Divs. Decl'd 1938 to date	Market Rating	COMMENT
Alaska Juneau	1.28	NF	NF	13⅜	8¾	11	0.90	B-3	Six mos. profit before depreciation and depletion, estimated at $1,002,500 vs. $1,414,300 a year ago. Regular and extra divs. likely.
Aluminum Co. of Amer.	13.26	NF	NF	117	58	110	None	B-2	Current earnings lower. No immediate prospect of divs.
★Aluminum Co. Ltd.	11.83	NF	NF	126¾	67	120	None	B-2	Current earnings reported holding near .last year's level. Shares have speculative merit.
American Metal	3.22	1.47	0.58	38¾	23	33	0.50	B-2	Last half earnings may be enhanced by higher metal prices.
Amer. Smelt. & Refining	6.54	3.38	1.53	56¾	28⅛	46	1.75	B-2	Current earnings sharply lower. Some improvement indicated in final six months.
Anaconda Copper	3.62	2.21	0.46	38	21	33	0.25	B-2	Higher copper prices should reflect in better earnings over the next several months. Divs. passed.
Cerro de Pasco	5.18	NF	NF	49½	26¼	43	3.00	B-2	Earnings should be better than average, reflecting sustained foreign demand.
★Climax Molybdenum	2.85	NF	1.22	45⅝	32½	39	0.60	A-2	Leading producer of molybdenum. Earnings holding up very well and longer term outlook promising.
Dome Mines	4.23	NF	NF	34¾	27⅛	33	1.50	B-3	Net before depreciation and depletion totaled $2,114,057 in first half vs. $2,152,779 a year a3o.
Eagle Picher Lead	0.40	0.81	d0.68	13¼	7	10	0.10	B-2	Divs. omitted last May. Would benefit by higher prices for lead and zinc.

Position of Leading Mining and Metal Stocks (Continued)

Company	Earned Per Share 1937	Earned Per Share 1st six months 1937	Earned Per Share 1st six months 1938	Price Range 1938 High	Price Range 1938 Low	Recent Price	Divs. Decl'd 1938	Market Rating	COMMENT
Homestake Mining	3.58	1.68	1.64	66	48⅛	64	3.00	B-3	Earni ngs currently holding close to last year's level. Divs. secure.
Howe Sound	10.03	6.45	1.93	53⅜	23½	43	1.50	B-3	Sharply lower earnings reflect decline in copper and zinc prices. Outlook improved.
*Hudson Bay Min. & Smel.	2.71	NF	0.74	31¼	20⅝	30	0.75	B-2	Last half prospects favor improved earnings. Further divs. likely.
Inspiration Copper	1.60	NF	NF	16⅞	7⅛	15	None	B-3	Earnings this year may not exceed 50 cents a share, depending on trend of copper prices in last half.
*International Nickel	3.32	1.71	1.08	52¾	36⅞	49	1.50	A-2	Earnings have held up well and should make a relatively good showing for the full year.
*Kennecott Copper	4.60	2.47	0.50(e)	44	26⅜	40	0.75	B-2	May earn about $1.50 for the full year. Divs. of $1 assured.
Lake Shore Mines	4.15(a)	NF	NF	58½	45½	52	3.00	B-3	Costs reported to be higher as a result of rock blast difficulties.
Magma Copper	3.57	1.58	0.70	33¾	18¼	30	0.95	B-2	Low cost copper producer. Outlook favors upturn in earnings for last six months.
McIntyre Porcupine	4.51(b)	1.07(c)	1.15(c)	47⅞	35½	47	1.50	B-3	Continued stability in earnings forecast. No change in divs.
Miami Copper	0.97	NF	NF	12¼	5¾	10	None	B-4	High cost producer, requiring high average copper prices for profitable operations.
*National Lead	0.94	1.36	0.27	31	17⅛	25	0.37½	B-2	First half volume off about 40%. Final six months should be better. Modest divs. secure.
New Jersey Zinc	4.01	2.21	0.70	72½	45½	64	1.50	B-2	Lower zinc prices and slump in demand cut net. Prospects moderately better.
*Newmont Mining	5.39	NF	NF	77½	42	72	1.50	B-2	Holding company owning large blocks of leading mining shares. Shares have speculative promise.
*Phelps Dodge	2.51	1.40	0.75	37⅞	17⅝	35	0.45	B-2	Large domestic copper producer. Firmer copper prices foreshadow improved showing in last half.
*St. Joseph Lead	3.64	2.30	0.02	46¼	25½	41	0.75	B-2	Sharply reduced output and sales and lower prices cut net sharply in first half. Outlook better.
Silver King Coalition	1.16	0.69	d	9⅛	4¾	7	0.35	B-4	Divs. recently omitted. Earnings impaired by decline in silver prices.
Sunshine Mining	3.63	NF	NF	14⅜	9⅞	12	1.20	B-3	Current profits will be reduced about 9 cents an ounce of silver. Gov't silver policy governs outlook.
U. S. Smelt. Ref. & Mining	9.48	NF	NF	71	44¾	63	3.00	B-3	Lower prices for company's diversified metal output has lowered earnings. Outlook moderately better.
Vanadium Corp	2.22	1.62	—	21⅜	11½	18	None	B-2	Net of $5,794 this year compares with $612,400 in first half of 1937. Should do better in ensuing months.

*—In our opinion, the more attractive profit opportunities. (a)—Fiscal year ended June 30. (b)—Fiscal year ended Mar. 31, 1938. (c)—Three months ended June 30. (d)—Deficit. (e)—Estimated. NF—Not available.

Fall Outlook Bright for Retail Trade

SEVERE though the depression has been in some industries, its effects upon retail trade have been relatively light—at least light when one considers the precipitous decline in steel operations, that automobile production became half that of last year and that there was widespread curtailment in the textile and other important employment-producing industries. Although it is not entirely clear why the American people should suddenly stop buying automobiles and refrigerators and should continue to buy with considerable freedom the general merchandise of department stores and mail order houses, the fact is that they have been doing it.

One might reason that if retail trade failed to reflect the slump in steel, in automobiles and in other industries, there is no reason to expect great improvement now that steel and automobiles are well on their way to greater activity. While it is possible that there may be some slight lag—particularly if the weather is as hot and humid as it has been over recent weeks in many important shopping centers—it is our opinion that there will be pronounced betterment commencing not later than Labor Day. In this connection one must not forget that the Government's pump-priming program is not as yet fully under way and however much one may disagree with the principle of such plans one can hardly doubt their ultimate effect as a stimulant to retail trade.

So far as profits and consequently dividends are concerned, it is still a matter of disquiet to merchants that taxes and costs generally show no signs of reversing their upward trend. Such increased costs, of course, have to be passed on to the ultimate consumer in the form of higher prices and there is always the fear that a too rapid increase in prices will retard consumption, or at least that the seller will have to forego a normal margin of profit in order to hold his customers. While the increase in purchasing power over coming months probably will be sufficiently large to over-ride any increase in prices which is likely as a result of higher costs, these latter and their effect upon profit margins are points for the stockholder in retail trade companies to watch carefully.

What has been said of taxation applies only to the ordinary, fairly equitable taxes which are being imposed upon retail trade as a whole: it does not include the discriminatory taxation which is being imposed upon chain stores. As a result of state taxes graduated according to the number of outlets or graduated according to gross sales, the chains are being penalized for the benefit of the independent retailer. The effects have been particularly serious for the chain groceries whose margin of profit is unusually low. In an attempt to minimize the danger chain groceries have turned to the supermarket, but whether this will really prove to be the an-

swer to anti-chain legislation only time can tell. Already in certain states the independent retailer has begun to move against such markets.

The anti-chain-store taxation applies, of course, to merchandising chains just as to grocery chains, but the former can more easily carry the burden and such companies as Sears, Roebuck and J. C. Penney are not necessarily to be avoided by the investor because of this.

Position of Leading Merchandising Stocks

Company	Earned Per Share 1937	Earned Per Share 1st six months 1937	Earned Per Share 1st six months 1938	Price Range 1938 High	Price Range 1938 Low	Recent Price	Divs. Decl'd 1938	Market Rating	COMMENT
Allied Stores	0.96a	NF	NF	12	4½	10	....	B-2	While the company has felt the depression through lower sales, outlook is for improvement over coming months.
American Stores	0.38	0.42	def.	11¾	6⅛	8	....	D-4	Last dividend of 25 cents paid 10/1/37. A great deal depends on the legal battle the company is waging against discriminatory taxation.
*Arnold Constable	0.75a	def. b	NF	11	5½	9	0.50	B-2	Last dividend 12½ cents paid 6/28. Outlook reassuring.
*Associated Dry Goods	0.02a	NF	NF	11¾	4	10	....	B-2	Arrears on the second preferred totaled $31.50 as of 9/1/38
Best & Co.	4.02a	1.86b	1.38b	50¼	26⅞	45	1.92½	B-2	Regular quarterly of 40 cents believed to be in no danger.
*Federated Dept. Stores	2.37a	NF	NF	26	12¼	24	0.75	B-2	Last dividend of 25 cents paid 7/30. May pay more.
First National Stores	3.14c	1.74d	0.79j	34⅞	24½	33	2.50	D-3	Expected to maintain the regularly quarterly of 62½ cents. Territory in which the company operates is relatively free from chain store pressure.
*Gimbel Brothers	1.11a	NF	NF	15¾	5	13	....	B-2	Has been operating in the "red" for part of this year. but should do better in the fall.
Grand Union	def.	Nil	Nil	2¼	1	2	....	D-4	Arrears on the $3 pref. total $5.12½ as of 9/1/38.
Grant, W. T.	2.78a	1.16b	NF	30	19	23	1.55	B-2	Sales for the first six months were off 6.6%. Last half of year likely to make a better showing.
Great Atlantic & Pacific	3.50e	NF	NF	65	36	61	2.00	D-3	Last dividend $1 paid 6/1. Expanding in the field of super-markets with a view to offsetting political persecution.
Interstate Dept. Stores	0.65	0.60b	NF	15¾	6⅛	13	....	B-2	Last dividend 50 cents payable 11/1/37. Sales off drastically so far this year.
Jewel Tea	5.19	2.74f	2.48f	72	44¼	68	3.00	B-3	Record has been exceptional. Expected to maintain regular quarterly of $1.
Kaufman Dept. Stores	2.63	NF	NF	21	12½	20	0.90	B-2	Last dividend 25 cents paid 7/28. Recent pick-up in steel should be helpful to this Pittsburgh retailer.
Kresge, S. S.	1.94	NF	NF	19⅝	15⅛	19	0.90	B-2	No change in regular 30-cent quarterly expected.
Kress, S. H.	2.30	NF	NF	31⅝	22	29	1.20	B-2	Regular quarterly of 40 cents paid 8/1. The continuance of this rate is expected.
Kroger Grocery & Baking	1.62	0.77g	NF	17⅞	12⅜	17	1.20	D-3	Sales for the 28 weeks to July 16 were off 8.6%. Profits have been hit by higher costs of all kinds.
*Macy, R. H.	2.52a	NF	NF	48	24⅞	44	1.50	B-2	Quarterly of 50 cents payable 9/1. Coming months should show improvement.
Marshall Field	def.	0.22	Nil	14½	5½	12	....	B-2	No action taken on the preferred dividends normally payable 6/30.
May Department Stores	3.99a	NF	NF	51	28½	49	2.25	B-2	Despite some decline in earnings, regular quarterly of 75 cents appears reasonably assured.
McCrory Stores	1.89	NF	1.44h	12¾	6	11	....	B-2	May pay a year-end dividend as was done last year.
Melville Shoe	4.55	3.24	1.16	57¼	32½	49	2.37½	B-2	50 cents paid 8/1. Previous distribution was 87½ cents.
*Montgomery Ward	3.41a	1.60b	NF	50	25	45	1.25	B-2	Last payment 25 cents 7/15. Should continue at least this modest rate.
Murphy, G. C.	5.84	NF	NF	58	34¾	57	2.50	B-2	75 cents payable in September; same as previous quarter.
National Tea	def.	Nil g	def. g	4½	2½	3	....	D-4	Operations continue unprofitable. Dividends omitted on the preferred 2/1/38.
*Penney, J. C.	6.52	2.82	1.85	85½	55	84	1.75	B-2	No difficulty anticipated in maintaining a regular quarterly of at least 75 cents.
Safeway Stores	2.62	1.59	1.31	23⅝	12	19	0.50	D-3	Despite the heavy burden which has been placed upon chain grocery stores, continuance of modest dividends should be possible.
*Sears, Roebuck	5.58a	2.76g	1.28g	75½	47	71	4.75	B-2	Quarterly dividend of 75 cents payable 9/10. Outlook for the autumn is considered hopeful.
Spiegel, Inc.	1.66	0.96	def.	15¼	6¼	13	0.25	B-2	No action taken on dividend normally payable 5/2. Possible that the half year's loss be eliminated in coming months.
Woolworth, F. W.	3.40	NF	NF	48¾	36	45	1.80	B-2	No change expected in the regular rate of 60 cents quarterly.

*—In our opinion, the more attractive profit opportunities. NF—Not available. a—Year to 1/31/38. b—6 mos. to 7/31. c—53 weeks to 4/2/38. d—6 mos. to 9/25. e—Year to 2/28/38. f—28 weeks. g—24 weeks. h—Year to June 30. j—July 2 quarter.

Construction on the Up-Grade

There are a number of signs that business is improving, but the clearest-cut of them all is the betterment which is taking place in construction. It is more especially in residential construction that the gains are to be seen and, if one wants the situation broken down even further, it will be found that it is the small home costing in the neighborhood of $5,000 that is making the best showing of all. A good deal of credit for this situation must be given to the Federal Housing Administration. In July the head of this agency stated that F H A this year would insure mortgages on a billion dollars of private residential building. Later it was said that the biggest year for residential building since 1929 was to be anticipated.

While other types of construction are lagging materially behind a year ago, heavy engineering projects are scheduled for considerable expansion over the near future under the Government's pump-priming spending program. There is also hope for industrial construction on the grounds that a great deal of building of this type was near the contract stage last year when the depression set in and that it will be released with further improvement in general business. However, the betterment in non-residential construction is merely a hopeful prospect, whereas the betterment in the residential divi-

sion is an actuality now to be seen under way.

This in some respects is an advantageous situation from the standpoint of the prospective stockholder, for there is a greater choice of companies linked to home building than to other types. He may select from those making materials for the house itself, from those which make heating and plumbing apparatus, or even from those which manufacture household furnishings. All are due to benefit, although it probably will be in varying degree because of the special circumstances that are bound to arise to provide one company with an advantage or another company with a disadvantage.

Some anxiety has been expressed over the manner in which building materials have tended to rise in price. It is feared that high construction costs will narrow the market. The validity of this outlook, however, is to be doubted—at least it is to be doubted so long as the price increases stay within reasonable bounds. While the cost of a new home unquestionably is a matter of great moment to everyone, there are a number of other factors no less important. Assurance as to the future probably is the most important factor of all and, with general business on the upgrade, people are feeling surer about their jobs and a small increase in price is not going to stop them buying homes.

The prospective stockholder may accept this appraisal of what the future holds for building and still be hesitant about making a commitment on the grounds that market quotations have moved forward sharply and that at today's levels many stocks are discounting their admittedly bright prospects. This is undoubtedly true to some extent and, while market reactions are possible at any time, we believe that the building stocks have far from exhausted their profit possibilities.

Position of Leading Building Stocks

Company	Earned Per Share 1937	Earned Per Share 1st six months 1937	Earned Per Share 1st six months 1938	Price Range 1938 High	Price Range 1938 Low	Recent Price	Divs. Decl'd 1938	Market Rating	COMMENT
Alpha Portland Cement	0.36	1.07a	0.01a	19¾	11¼	18	0.75	B-3	Strong financial position lends assurance to the dividend, despite temporary decline in earning power.
Amer. Radiator & Std. San.	0.68	0.35	def.	17	19	15	0.15	B-2	No action taken on dividend normally payable 6/30. Outlook, however, is reasonably hopeful.
American Encaustic Tiling	def.	def.	def.	6⅜	2½	5	....	B-3	To be considered solely on the basis of a long range speculation.
★Armstrong Cork	3.66	2.56	NF	47½	24¼	43	0.25	B-2	Dividend normally payable 6/1 was omitted. However, improvement in earning power over coming months expected.
Celotex	4.17b	2.39c	0.16e	25½	12½	22	....	B-3	Last payment 40 cents 10/25/37. Has demonstrated good earning power under reasonably favorable conditions.
Certain-teed Products	Nil	Nil	def.	10½	4½	9	....	B-3	Dividend on the preference stock passed early in 1937. A profit, however, was shown for the June quarter this year.
Congoleum-Nairn	2.03	1.11	0.25	28	15	24	0.25	B-3	Last dividend of 25 cents was paid 3/15/38. May make, however, some further distribution before the year-end.
★Crane	3.63	3.78a	1.24a	36½	19	32	....	B-2	Recently reported indications of increased demand from the building field.
Devoe & Raynolds "A"	4.05d	NF	def e	39¼	25	34	1.75	B-3	Decline in earnings forces dividend reduction. 25 cents paid 7/1 against 75 cents in previous quarter.
Flintkote	1.50	0.98f	0.40f	24⅞	10⅞	21	....	B-3	Officially stated that the sales outlook for the company's entire line of products is favorable over coming months.
Grand Rapids Varnish	1.22	0.82	NF	9½	5¼	8	0.25	B-3	Maintenance of 12½ cents quarterly expected.
Holland Furnace	2.90	0.11	0.16	46½	17	43	1.50	B-3	Longer term outlook is for increased earnings and dividends.
Johns-Manville	5.80	3.00	def.	99¼	58	93	....	B-3	Possible that a modest distribution be made before the year-end.
Lehigh Portland Cement	1.35	2.08a	0.39a	25	13½	21	0.75	B-3	Earnings down, but dividends are the safer because of a strong financial position.
Lone Star Cement	4.17	1.99	1.58	56	26	53	2.25	B-3	Has an enviable dividend record in a highly competitive industry.
★Masonite	3.03b	2.29g	1.35g	55½	25	51	1.25	B-3	50-cent extra paid 8/22. Prospects bright.
Minn.-Honneywell Regulator.	4.52	2.22	0.13	87	46½	76	1.50	B-3	Lower earnings forces dividend reduction from 50 cents to 25 cents.
National Gypsum	0.33	0.30	0.20	13⅝	5	13	....	B-3	Company is expanding. Outlook improved.
Otis Elevator	1.60	1.08	0.47	28½	13¾	23	0.45	B-2	Payments of 15 cents quarterly should be well within the company's ability despite decline in earnings.
Penn-Dixie Cement	Nil	NF	def. a	5⅝	2½	4	....	B-4	Large arrears on the preferred to be liquidated before the common can receive anything.
Ruberoid	1.89	1.19	0.01	28	13	26	....	B-3	No action taken at dividend meeting 8/16, although prospects favor improvement.
Sherwin-Williams	8.41 b	NF	NF	115	66	106	2.00	B-3	Earning power is undoubtedly lower, but 50 cents quarterly should be within the company's capacity.
★U. S. Gypsum	4.08	2.62	1.59	96¾	55	89	1.50	B-3	Continuance of 50 cents quarterly expected.
Yale & Towne	2.72	1.51	def.	39	20¾	31	0.60	B-3	Expected to maintain the rate of 15 cents quarterly despite the loss reported for the first half.

★—In our opinion, the more attractive profit possibilities. NF—Not available. a—12 mos. to 6/30. b—Year to 8/31. c—Six months to 4/30. d—Year to 11/30. e—Six months to 5/31. f—28 weeks. g—40 weeks.

Position of Important Stocks Unclassified As to Industry

Company	Earned Per Share 1937	Earned Per Share 1st six months 1937	Earned Per Share 1st six months 1938	Price Range 1938 High	Price Range 1938 Low	Recent Price	Divs. Decl'd 1938 to date	Market Rating	COMMENT
American Bank Note	1.07	0.52	def.	23⅛	10	18	0.60	B-3	July dividend was 10 cents, compared with 25 cents in previous quarter. Outlook, however, is believed to have improved.
American Can	6.08	NF	NF	104¼	70¾	98	3.00	A-3	Regular quarterly of $1 appears assured, although earnings this year may be slightly lower.
American Chain & Cable	2.79	1.83	NF	22¾	9½	19	0.40	C-3	June dividend was 15 cents against 25 cents in previous quarter. Has been hard hit by the depression.
American Chicle	8.27	4.06	3.71	116	88½	116	3.50	B-2	Further extras in addition to the regular quarterly of $1 expected.
American Safety Razor	2.47	1.14	0.90	20⅞	15⅜	18	1.30	B-3	Keen competition forced dividend reduction in June.
Atlas Plywood	3.31a	1.60b	1.04c	15½	6¼	13	0.25	B-3	Common dividend omitted in May. Longer-term outlook may be considered hopeful.
Bristol Myers	3.21	1.70	1.43	40⅝	28	40	1.80	B-3	No difficulty expected in maintaining regular quarterly of 60 cents.
Cluett Peabody	0.72	0.85	0.29	25¾	10½	23	0.40	B-2	Earnings down sharply in the first half, but prospects are now more hopeful.
Coca-Cola	5.73	2.75	2.91	142¾	105½	135	1.75	B-2	75 cents payable 10.1, against 50 cents in previous quarter. Higher rate expected to be continued.
Colgate-Palmolive-Peet	nil	0.50	0.47	13¾	7⅛	12	....	B-3	12½ cents paid towards the end of last year. Some such payment may be made before the end of 1938.
Commercial Credit	7.09	3.71	2.65	50	23	48	2.00	B-3	No change expected in the regular rate of $1 quarterly. Earnings should improve.
Commercial Investment Trust	6.36	3.43	2.31	56	31½	53	3.00	B-3	Improving business appears to make the annual $4 rate secure.
Container Corp.	2.28	1.69	def.	17½	9¾	15	0.30	A-3	Dividend omitted in May. The autumn probably will witness a return to "black" figures.
Continental Can	3.06	3.25a	2.47a	49	36½	43	1.50	A-3	Earnings leave little margin for the payment of a 50-cent quarterly.
Crown Cork & Seal	2.16	1.44	1.26	39⅞	22¼	33	0.50	A-3	No action taken on the dividend normally payable in June.
Diamond Match	1.73	0.87	NF	29¼	20¾	28	1.25	B-2	Should be helped by pick-up in residential construction.
Eastman Kodak	9.76	5.01d	3.05d	181	121½	174	6.50	A-2	Despite decline in earnings, expected to maintain rate of $1.50 quarterly.
General Refractories	3.20	2.27	0.14	37⅜	15⅛	31	....	B-3	Pick-up in steel operations is beneficial.
Gillette Safety Razor	1.50	0.67	0.34	11⅛	6½	9	0.40	B-3	Dividend cut from 25 cents to 15 cents quarterly. Should be able to maintain lower rate.
Glidden	2.62e	1.82f	Nil f	27¼	13	23	0.50	B-3	No action taken on dividend normally payable in April. Business needs to improve further before resumption can be expected.
Greyhound Corp.	1.77	0.55	0.51	17½	7¾	16	0.40	B-2	Continuance of 20 cents quarterly anticipated. Helped by increase in railroad fares.
Harbison-Walker Refract.	2.17	1.41	0.10	34¾	15	29	0.50	B-3	Last dividend 25 cents paid 6/1/38. Prospects improving.
Hazel-Atlas Glass	6.67	3.99	2.18	98	76¾	96	5.00	A-3	No change in regular quarterly of $1.50 expected.
Household Finance	7.65	3.59	3.52	64⅞	46½	65	3.00	B-3	Extra possible in addition to the regular quarterly of $1.
Libbey-Owens-Ford	4.19	2.25	def.	50⅜	23¼	47	0.75	B-3	Although a loss was sustained in the first half, prospects are encouraging.
Liquid Carbonic	2.36g	1.40h	0.99h	21½	12⅛	18	0.80	C-3	Although earnings are down should be able to maintain 20 cents quarterly.
Owens-Illinois Glass	3.51	4.46a	2.18a	74⅛	40	71	1.00	A-3	Dividend recently raised from 25 cents to 50 cents. Believed to reflect higher earning power.
Pittsburgh Screw & Bolt	0.83	0.33	def.	9¼	4⅞	7	....	B-3	Resumption of dividends must await further business improvement.
Procter & Gamble	....	4.07a	2.60a	57½	39½	56	1.50	B-3	Last year's earnings adversely affected by declining raw material prices. Should now do better.
Radio Corp	0.41	0.22	0.06	7¾	4¾	7	....	B-3	Earnings so far this year would hardly warrant a common dividend.
Reynolds Metals	1.21	1.02	NF	17¾	10½	13	0.15	B-3	Last dividend of 15 cents paid 3/1/38. Company continues to expand the field of its activities.
Simmons	2.88	1.85	0.43	30½	12⅝	28	....	B-2	Will probably make some distribution before the year-end.
Sterling Products	5.28	3.03	2.77	68	49	67	2.85	B-3	Regular quarterly of 95 cents appears well assured.
Sutherland Paper	2.80	1.71	1.36	32	17⅞	28	1.20	A-3	May pay more than 40 cents quarterly.
United Drug	0.94	0.57	def.	7⅜	4⅝	5	....	B-3	Near-term resumption of dividends appears unlikely.
United Fruit	4.04	NF	NF	67¼	50	62	2.25	B-2	Regular quarterly of 75 cents likely to be continued despite decline in earnings so far this year.
U. S. Freight	def.	def.	def.	12¼	5¾	9	....	B-4	Outlook remains somewhat obscure.
Wrigley, Wm. Jr.	4.37	2.22	1.72	72	61¼	68	2.50	B-2	May pay a special at the year-end in addition to 25 cents monthly.

*—In our opinion, the more attractive profit possibilities. NF—Not available. *—Plus extra in stock. a—Year to June. b—Six mos. to 12/31/36. c—Six mos. to 12/31/37. d—24 weeks. e—Year to 10/31. f—Six mos. to 4/30. g—Year to 9/30. h—Nine mos. to 6/30.

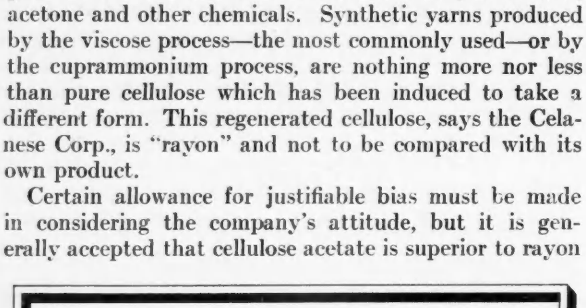
A Pioneer Makes Good

Expanding Demand for "Celanese" Is Certainty Rather Than Merely Hopeful Prospect

BY GEORGE W. MATHIS

ALL synthetic textiles which look and feel something like silk are "rayon" to the layman. This is deplored by the Celanese Corp. of America, largest manufacturer of cellulose acetate which it sells under the trade-name "Celanese." Cellulose acetate is a chemical compound produced from the cellulose in cotton linters, acetic acid, acetone and other chemicals. Synthetic yarns produced by the viscose process—the most commonly used—or by the cuprammonium process, are nothing more nor less than pure cellulose which has been induced to take a different form. This regenerated cellulose, says the Celanese Corp., is "rayon" and not to be compared with its own product.

Certain allowance for justifiable bias must be made in considering the company's attitude, but it is generally accepted that cellulose acetate is superior to rayon for many purposes. Sometimes the two synthetics are mixed for special effect. Or, other effects are possible by chopping up the filaments of either rayon or cellulose acetate and spinning them like cotton. This particular phase of the business is going ahead by leaps and bounds.



While "Celanese" yarns and fabrics comprise the bulk of the business of the Celanese Corp. of America, cellulose acetate lends itself to a number of other uses. It can take the form of a transparent wrapping material; it is used in lacquers, varnishes and plastics. These activities of the Celanese Corp. are concentrated in a subsidiary, Celluloid Corp., whose output includes such varied things as imitation mother-of-pearl, fountain pen barrels, combs and non-inflammable film.

The main plant of the Celanese Corp. of America lies on 778 acres of land near Cumberland, Maryland. This plant is quite exceptional in the world of synthetic textiles, for the whole process is carried out at this one location. Here, raw materials are converted into cellulose acetate, cellulose acetate into yarn and then the yarn is woven and knitted into scores of different fabrics. New London Fabrics Corp. and Williamsport Textile Corp. two sub-subsidiaries, own other, and very much smaller, plants at New London, Connecticut, and Williamsport, Pennsylvania, respectively. Celluloid Corp. has a plant on 27 acres of land in Newark, New Jersey. Last year, Celanese acquired through yet another subsidiary a large tract of land near Pearisburg, Virginia, where there will be erected eventually an important manufacturing plant.

It may appear strange that a company whose principal business is the manufacture and sale of cellulose acetate yarns, which others turn into a finished fabric, should, itself, also be in the business of knitting and weaving the latter. It savors somewhat of a man competing with his best customers. The situation, however, is not illogical when one realizes how it came about. We do not know who first thought of cellulose acetate as a fabric and for purposes of this discussion it makes no difference. At any rate, two Swiss, the Drs. Dreyfus were working on the matter during the World War and became sidetracked when it was discovered that cellulose acetate could be used as a non-inflammable dope for airplane

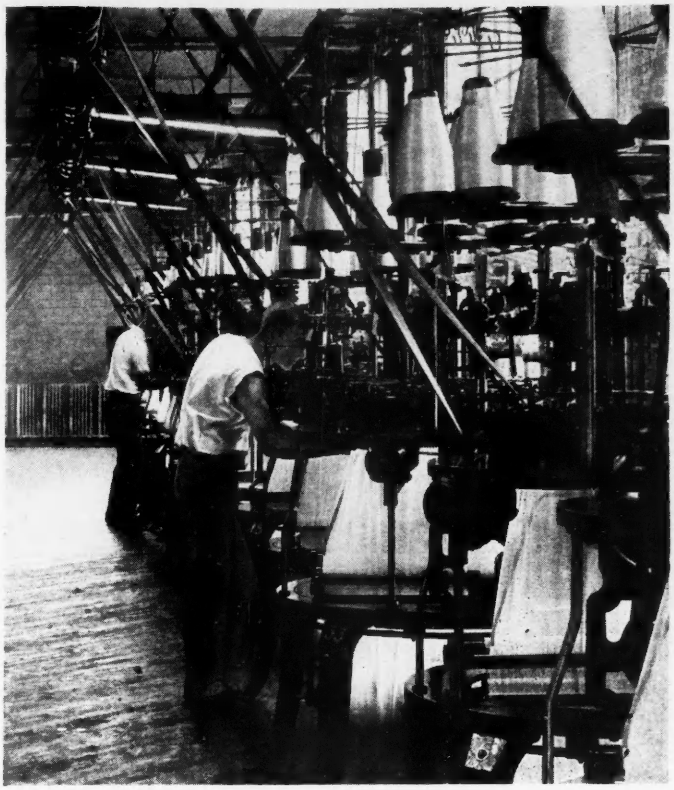
wings. It was six or seven years after the war ended before cellulose acetate yarn was being produced in the United States, although the company which had been supplying the dope for the British army and navy planes made the transition somewhat quicker. Today, there is small corporate connection between the British and American Celanese companies: in effect, the latter is operating under the Dreyfus patents throughout the United States and its territories and in Central and South America. From a management standpoint, however, the connection between the British and American concerns is a very close one. The two Dreyfus, president and vice-president of the American company, respectively, are also directors of the English company.

As is almost always the case with something completely new there are initial difficulties and cellulose acetate yarn was no exception. It will not for example, take ordinary dyes: nor is the weaving and knitting technique the same as that employed with other yarns. Hence, the Drs Dreyfus were driven to finding new dyes and were forced into demonstrating the possibilities of the new material by turning out finished products. This is the reason why the Celanese Corp. is to be found presently turning out not only woven and knitted fabrics but actually certain finished garments. The dyeing difficulty also accounts for its buying unfinished fabrics and finishing them itself. As for competing with its own best customers, the company avoids trouble on this score by charging more for its own finished goods than do the mills to which it sells yarn.

Although the Celanese Corp. has been a pioneer in its field and holds everal hundred patents to prove it, this does not mean that it now has everything absolutely its own way. Competition is keen and varied. Other manufacturers of cellulose acetate yarn and fabrics have come into being. There is competition with silk, with regenerated cellulose and with other materials. Nevertheless, the Celanese Corp. of America in its relatively short life has spent more time in a position where it was unable to supply fully the demand for its production than with machinery lying idle. And, while there will be ups and downs in the future as there have been in the past, everything points to there being a further increase in demand on the part of the company's customers.

In this connection it is interesting to note that the stockholders of the Celanese Corp. of America have just approved the issuance of not more than $20,000,000 in debentures. It is intended to use the money to retire bank loans and for expansion and improvements. Probably some of the funds will find their way into the new Pearisburg plant.

The decision to raise money by the sale of securities will be a measure of relief for stockholders who have grown accustomed to seeing the greater part of profits ploughed back into the business. Some $5,000,000 *was* obtained by the sale of prior preferred stock in 1936, but even so it has been upon stockholders that most of the burden of providing the necessary additional capital has fallen. The capacity of Celanese to absorb money in



Gendreau

Manufacturing rayon textiles.

increased facilities may be realized from the fact that the net valuation of plant and equipment was around $14,-000,000 at the close of 1928, whereas today it is about $32,000,000. Naturally the need for working capital has increased correspondingly. As for the patience of common stockholders, this may be measured by their having received their first dividend in April, 1936, and that currently, owing to the depression from which we are just emerging, they are not receiving anything at all. However, under the circumstances a conservative dividend policy undoubtedly is to their advantage in the long run.

The capitalization of the Celanese Corp. of America consists of 1,000,000 shares of common stock which is of no par value and two issues of preferred stock. There is no funded debt other than a small purchase money mortgage and the only other liability of a capital nature are bank loans which at the end of last year stood at $4,500,000. It is these bank loans that the recently authorized debentures would liquidate. The prior preferred stock is a $100 7% cumulative issue outstanding to the extent of 164,818 shares. It ranks ahead of the 148,179 shares of 7% cumulative participating preferred which is also of $100 par value. The participating privilege consists of the right to receive 10% of the profits available for distribution, after the payment of dividends on both preferreds. Last year $1.69 was distributed on the participating preferred in addition to the regular payment of $7. Currently, however, nothing is being paid on this issue.

From the passing of the common and participating preferred dividends one *(Please turn to page 599)*

For Profit and Income

All Ears

Street sentiment is stubbornly cheerful these days. Ammunition for a further rise is slow in appearing, though. . . . The steel industry is evidently in for a waiting period, having built up inventories somewhat in advance of orders. Scrap prices have halted their climb, reacted a bit, in fact. . . . Still not sure how long we can travel in a different direction from the London market, many are nervously eyeing the British averages — industrials soggy, rails at a new low since 1933. . . . Motors have been the backbone of the market. Aside from hopes for the new models, it appears that makers are being surprised by continued demands for immediate delivery. Some sections are reporting sales a third higher than in July, which was a better month than June. Action of GM and C shows it. . . . Rail equipment orders last month — 3 locomotives, no freight cars, no passenger cars. One thing, there can't be much falling off in business to worry about, and when the orders eventually come it will be in a rush. Until then, statements like American Locomotive's, showing $841,000 loss in the half, must be expected. . . . Speaking of dividends: Harvester cut its payment and the stock rose; National Dairy cut on the same day and the stock fell. . . . Traders were disappointed in the failure of Douglas directors to announce a disbursement. DOU was down 2¼ points at one time on their liquidating. . . . American Telephone dividend meetings have temporarily lost their news value. . . . The regular payment exerted no visible influence on the stock, nor have the recent contra-seasonal station gains. . . . . Move of Commonwealth & Southern to integrate its Northern properties by purchases from other holding groups cost the preferred stock a large fraction. When utilities intimate their intention to fight the Holding Company Act the market reaction is bearish. When they prepare to cooperate, the reaction is also bearish.

Rubber Preferred to Go?

Things would not seem natural without frequent reincarnations of the rumor that U. S. Rubber is on the point of retiring its preferred stock. The issue is non-callable, but various versions have the company offering a new preferred stock in exchange, with a lower dividend rate but cumulative and possibly convertible. It is true that 8% is too high a rate for such a company to pay. Nevertheless, looked at strictly from the viewpoint of the common stockholder, who will have the final decision, the present preferred is almost ideal in many ways. Its dividends being non-cumulative, the company can emerge from a slump in fine shape, with no arrears to prevent common dividends. During good times the five million-odd due preferred holders is no serious burden, and it creates the perfect type of leverage. If there is to be an exchange offer, it would seem much more logical and plausible were it timed to coincide with a boom which would permit an offer of common, share for share, for the preferred.

Ups and Downs

Pepperell Manufacturing Co. has reported a loss of approximately $18.48 a share for the fiscal year ended June 30th. This compares with a profit of $21.64 a share in the preceding year. There could hardly be a better example of what the undistributed profits tax means to the mercurial type of business. If all of the $21.64 profits had been paid out to stockholders, the following deficit would have made a serious dent in the company's finances, and a few such ups and downs would end the problem altogether. Dividends have been omitted so far this year, but the directors will probably be influenced toward at least a nominal payment later on by the fact that the company's dividend record is unbroken since 1852. If the textile business improves meanwhile, of course, earning power can return as quickly as it fled.

Competition for High Grade Bonds

When the Government comes to the market for new money over the next year or two, the amounts will be anything but picayune. Holders of first-grade obligations now selling at very low yields can hardly afford to ignore the competition of another three or four billions in Treasuries, despite the highly effective control the New Deal has so far exercised over money rates. On the other

hand, there is the thought that more and more competition for real estate mortgages is pushing individual investors out of that market and into securities. The decision over the longer term may very likely rest with the demands made by business in the shape of commercial loans and their effect on interest rates. Few will object to some stiffening in the cost of money if it is to come with and as the result of sustained prosperity.

Raillery

Stockholders' committees are reported to be working on the idea of a merger between the St. Paul and the Chicago & North Western. There are undoubtedly savings to be made through elimination of duplicated facilities, to say nothing of personnel. The ironical feature, though, will become apparent if the merger should go through and then the stockholders who forwarded it should be wiped out by the terms of the reorganization.

Food for Bedeviled Stockholders

Holders of Wilson & Co. stock recently received through the mail small tins of the company's deviled ham. Boardroom habitues were not so lucky, since if their stock was in their brokers' names it did not participate in the dividend. Perhaps the brokers were just as glad to see them go out to lunch as usual. If dividends in kind are to become customary, the ideal list of holdings as inflation hedges will include the meat packers, a dairy company, the bakers, even a motor manufacturer, provided the stockholding is large enough to rate a new car every couple of years. Steels may suffer in popularity unless some traders need a new cantilever bridge or two.

Developments in Companies Recently Discussed

Libbey-Owens-Ford . . . Having shown a loss of 15 cents a share in the first quarter, orders reversed their trend in the second and loss for that period was only 2 cents a share. Demand for their household articles is pointing upward . . . some talk of important growth in use of double windows for houses.

General Refractories—Harbison Walker . . . Determination of the steel industry to bring its plants up to date is evidenced by the steady trickle of financing in those quarters. HKM and GRX both kept out of the red for the first half and stand to gain as the newly borrowed money is put to work.

International Telephone . . . Arrangements have been completed for taking care of the large bond maturity at the first of next year. Although a foregone conclusion in recent months, removal of this shadow over the company's future is satisfying news. The maturing issue has crossed par for the first time since 1930.

Holland Furnace . . . With orders coming in well and Government policies helping to stimulate building, the augury of the first half-year should be fulfilled. A highly seasonal business, earnings last year were 11 cents in the first six months and $2.79 in the second. This year 16 cents in the first half, in the second . . ?

Ludlum-Allegheny . . . Merger of the two enterprises has been approved by stockholders and the new company, rather appropriately named the Allegheny Ludlum Steel Corp., has applied for Big Board listing of its 1,265,974 common shares. A suit to enjoin permanently the operation of the merger is still pending, however.

United Corp. . . . A writedown enormous even in these days of billion-bandying has become a fact. Assets formerly carried at $581,285,157 were restated as of June 30th to a paltry $145,918,968. The next problem is the reduction in certain blocks of holdings to avoid classification as a holding company.

International Paper . . . The loss of $701,116 reported for the first half of 1938 was no surprise, but comparison with a year ago when over five million dollars was earned in the first half accentuates the drop. Given the proper conditions, however, recovery can be rapid. Ownership of 300,000 acres in Arkansas and Louisiana near oil fields already developed may mean a new source of income.

Columbian Carbon . . . The price of carbon black is only slightly above its low of 3.60 cents a pound, as against a high of 5.35 last year. Good figures on tire sales should eventually help the carbon companies. Columbian earned $2.56 a share in the first six months of 1938, may soon come up to its former profit levels. The stock moved up 2 points on the report.

Switching Rumors

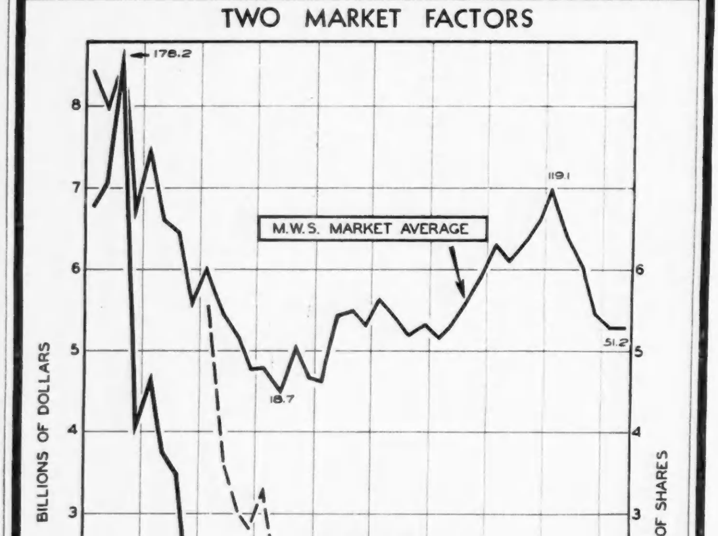
Because of their appeal to traders and large investors all over the world, and particularly in London, the stocks in the metal group attract far more than their share of gossip and conjecture. When the market moves, the Street must have reasons for individual action, and rumor supplies them. Lately there has been talk of a block of Climax Molybdenum being sold, lent plausibility by the feeble attempts of the stock to make any headway after its very impressive strength last winter. Also plausible because of the growing interest Kennecott Copper has in the same metal is the suggestion that Climax has been switched share for share into Kennecott. Just to make the picture more complicated, word from England implies that interests there have been switching *out* of Kennecott. The substantiation for this rumor lies in the fact that the British money was supposed to go into Phelps Dodge as an all-domestic producer, and Phelps Dodge has shown every indication of concentrated buying from time to time.

Floating Supply as a Technical Factor

Wide Moves Occur Only When the Stage Is Properly Set: How to Recognize the Setting

BY FREDERICK K. DODGE

WHAT does floating supply mean to a stock? How do the changes in the short position or in brokers' loans create a technical strength which often results in an otherwise unexplainable rally? More statistics are constantly being made available on these subjects, and hence considerable attention is being given to their proper interpretation. Because technical strength correctly recognized means profits to the individual investor or trader, particularly in these days of thin and volatile markets, the elements entering into its background will well repay study.

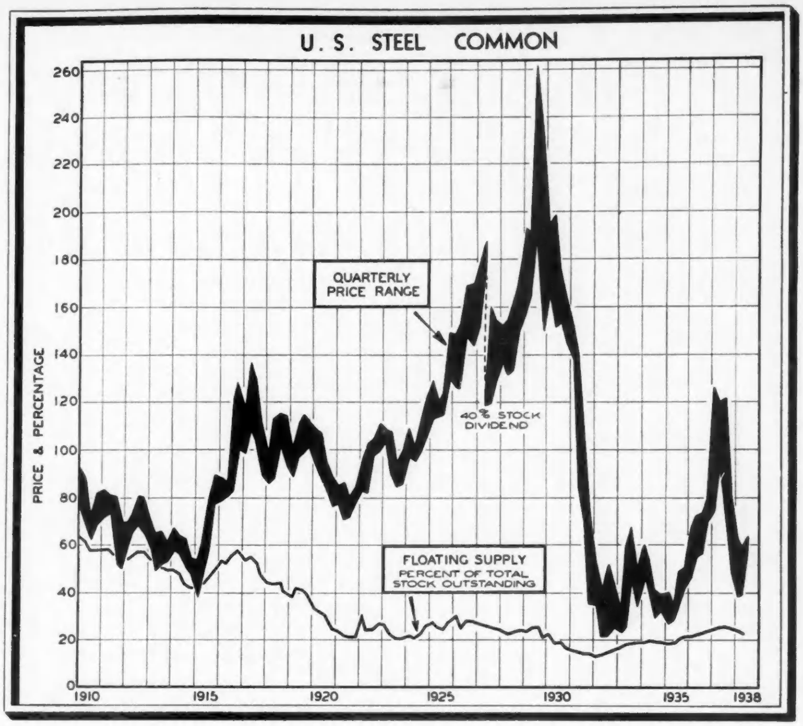


The ideal demonstration of the importance of floating supply would be an issue entirely owned by investors and held in their strongboxes throughout the country. Because none of it would be in "Street names," held by brokers for themselves or their customers, the issue would be considered to lack entirely a floating supply. If there were such a situation, very startling moves could arise from it. The last sale might by at 50, the bid at the same price, and none offered. Anyone really determined to buy a hundred shares would be forced to raise his bid by steps until some owner perhaps in Helena or El Paso who happened to be watching the quotation felt that a price of 70 or 80 or 90 was sufficient inducement to sell his holdings.

Were a trader to be tempted by the soaring bids to step in and sell the stock short, he would find himself in an uncomfortable spot. None could be borrowed in the Street with which to make delivery against his sale, and his alternatives would be to locate an individual owner willing for a consideration to loan him the necessary amount, or to go back into the market and bid for stock in an effort to close out his poorly advised short position. Determined to prevent technical corners, the Exchange could be expected to arbitrate the matter so that the next transaction would be at a price within reason, but the impetuous short seller would in any event receive a decisive lesson on the importance of floating supply.

Only one company, U. S. Steel, makes regular quarterly reports on the amount of its stock held in brokers' names, considered for practical purposes to represent the speculative holdings or floating supply. The accompanying chart shows the proportion varying from well over 60 per cent of the total outstanding to barely above 10 per cent, with the long-term trend downward. Wider distribution and smaller individual holdings have contributed to this trend, as well as the increasing tendency of owners to

take possession of their certificates and receive their dividends directly from the company, rather than through their brokers. It would appear that slumps in the market cause investors to take over the blocks formerly held by speculators, as in 1932 when floating supply reached its low point. This is not entirely true, however, since a falling market frequently causes the purchasers who have accumulated paper losses in the issue to transfer it to their own names, determined to wait until they can get out even or better. Many a long-term owner originally bought the stock for a turn which disappointed him. Another consideration which would be much more evident in another stock than Steel is the inducement which dividends offer to register holdings in the owner's name. The floating supply of Steel started to rise before the market did in 1932, partially no doubt because the common dividends were stopped and there was no longer the same incentive to transfer the stock to purchasers' names in order to receive dividends directly.



The fact that only about a third as much Steel is in Street names as was formerly thus held might be expected to have two effects: first, a more volatile market; second, a restricted supply for lending against short positions. Both of these effects have been visible during recent years, and there is good reason to believe that Steel is typical of the average market leader, so that conclusions drawn from these figures are rather widely applicable.

If investment holdings remain constant, it is obvious that any buying from abroad must directly reduce the floating supply. Price adjustments would gradually bring investment stock into the market, thus replenishing floating supply, but the immediate result of foreign buying is to strengthen the technical position to the point where wide gains are possible without apparent reason. In the case of Steel, the figures show 842,862 shares held abroad at the mid-year, equivalent to 9.68 per cent of the common capitalization. From the end of 1936, when foreign holdings were 6.95 per cent, up until the first quarter of this year when a high of 9.76 per cent was reached, Europe has been buying Steel. Foreign holdings increased by about 138,000 shares between late 1936 and the middle of the current year, and stock registered in brokers' names dropped 120,000 shares during the same period. While other considerations can hardly be ignored, the decline in floating supply must be credited for a share of the rallying power shown not only by the issue under discussion but by all the more active leaders over recent months.

The size of the short interest has a direct bearing on floating supply. Every hundred shares sold short must be borrowed from some broker, and since the purchaser is more likely to be of the investor than the trader class, the chances are that the stock he buys from the short seller will be withdrawn from the Street. As the short interest grows, more allowance should be made in using the figures on stock registered in brokers' names. It is impossible to ascertain the exact amount of stock which is going out of the market and into strongboxes at a given time, but back in 1931, for instance, when the floating supply of Steel was apparently somewhere in the neighborhood of 1,300,000 shares, a short position which at one time crossed 450,000 shares meant that whereas 1,300,000 shares were indeed owned by a class presumed to be traders, far less than that amount was actually on hand in brokers' boxes. It would probably be a good guess to say that 1,000,000 shares in the Street were filling the needs of the owners of 1,300,000 shares. That was a strong technical position, although not sufficiently so to overcome the offsetting depressive influences. *(Please turn to page 597)*

The Short Interest—Today and Yesterday

	Short Position (shares) July, 1938	Short Position (shares) May, 1931	Shares Listed
American Can	2,743	153,300	2,473,998
American Telephone	5,324	96,800	18,686,794
J. I. Case	855	94,900	195,000
Du Pont	14,974	116,600	11,065,709
General Electric	15,526	242,800	28,845,936
General Motors	34,242	406,000	43,500,000
Std. Oil (N. J.)	2,541	37,600	26,224,767
Union Carbide	10,508	125,700	9,226,937
Union Pacific	1,700	22,300	2,222,910
U. S. Steel	56,538	346,900	8,703,252

Reaching the Pay Point

Opportunities in Companies Which Have Prospects of Accelerating Earnings

Selected by THE MAGAZINE OF WALL STREET STAFF

St. Joseph Lead Co.

St. Joseph Lead Co. is the largest domestic producer of lead, its properties, located in the Missouri lead belt, being capable of producing about 180,000 tons of lead annually at capacity. Property acquisitions in recent years have enlarged the company's scope to include zinc, cadmium, gold and silver. Primarily, however, lead mining is the company's dominant activity. Although ore content of its properties is low-grade, the ore is exceptionally pure, permitting the company to produce about 95 per cent of the chemical lead used in the United States. The latter product commands a premium of about $1 a ton.


Courtesy Mack Trucks, Inc.

Last year, the company enjoyed the best year since 1929. Net profit of $7,127,945 after taxes, depreciation, depletion, etc., was equivalent to $3.64 a share on common stock. This compares with earnings equivalent to $1.28 a share in 1936. Last year total dividends amounted to $2.50 a share. Payments thus far this year have totalled 75 cents, the most recent disbursement being at the rate of 25 cents a share.

Succumbing to the adverse combination of lower prices for lead and zinc and greatly restricted demand, earnings of St. Joseph Lead in the six months ended June 30, last, amounted to only $46,184, after depreciation, depletion, interest, etc., or the equivalent of 2 cents a share on the 1,975,680 shares which comprise the entire capitalization. Earnings this year were less than one per cent of those in the corresponding months a year ago, when the equivalent of $2.30 a share was shown.

Since the first of July, however, the statistical position of both lead and zinc has strengthened somewhat, reflecting a moderate upturn in demand and substantially curtailed production. As a result, it was possible to advance prices moderately.

Supplying two important basic metals, the outlook for St. Joseph Lead is directly related to that of business as a whole, but more specifically to the prospects for building construction, which industry uses large quantities of lead in the manufacture of paint and plumbing materials, as well as the automobile and public utility industries. The outlook for increased consumption on the part of these three basic industries has brightened and, barring unforeseen developments of an adverse nature, promise to record increasing activity. While admittedly speculative, the shares of St. Joseph Lead, are among the more conservative type of mining ventures and in any period of increasing business activity, may be expected to provide holders with a satisfactorily profitable medium.

Mack Trucks, Inc.

Although in recent years Mack Trucks has enlarged its line to include lighter types of automobile trucks, the company primarily remains a manufacturer of heavy-duty trucks and buses. To the extent that volume was enlarged and manufacturing efficiency was increased through lower overhead, particularly in the company's seventy-one sales and service branches, the introduction of lighter tonnage and lower priced models was justified. However, with the lion's share of the lower priced demand going to such leading automobile manufacturers as Ford, Chrysler and General Motors, it would appear to be a valid assumption that Mack Trucks, in order to restore earning power to anything approaching the pre-depression level, requires the benefit of large scale demand for heavy trucking units. In the five-year period ended 1929, the company averaged $9.58 a share annually on its common stock.

The potential demand for heavy trucks is undoubtedly large. Replacement needs alone would in all probability exceed the total production of heavy trucks over the past several years. Under favorable circumstances, effective demand might be expected to originate from many large municipalities, local and long-distance freight truckers, as well as operators of cross-country, interur-

ban and urban bus services. The most fertile fields for future business, however, are public works and construction. Assuming that the company's past operations are still a timely criterion, it is significant that the most profitable years were those when construction and road-building were at their zenith in 1925 and 1926. In each of these years sales totaled about $69,000,000. Net income in 1925 was nearly $9,500,000, while in 1926 net amounted to $8,852,433. The common stock earned the equivalent of $13.06 and $10.81 a share, respectively. Even in 1929, when general business was at a peak, building and construction had already turned down and Mack Trucks was unable to better its 1925-26 showing.

In 1935, with net sales of $20,211,000, Mack Trucks showed an operating profit of only $532,167, and a net loss of $395,616. The following year, however, with sales some $10,500,000 greater, operating profit totaled $3,226,188 and net profit amounted to $1,440,850. Last year, despite an increase of more than 10 per cent in sales, the operating profit declined to $3,208,738, reflecting increased costs. Moreover, last year, increased charges for depreciation and larger taxes reduced net profit to $1,284,691, or the equivalent of $2.15 a share on the 597,335 shares of stock which comprise the entire capitalization. Net in 1936 was equal to $2.41 a share.

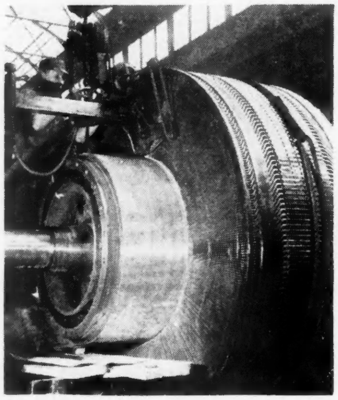
For the first six months of this year only 1,888 Mack trucks were included in new truck registrations, as compared with 2,922 in the same months a year ago, a decline of over 35 per cent. The sharp reduction in sales accounts for the net loss of $431,808 in the six months ended June 30th, last, compared with a net profit of $940,260, or $1.57 a share in the first half of 1937.

Results in the final six months may be somewhat better, a prospect suggested by the heavy concentration of the Government's pump-priming program in construction projects. Recently the company received an order for 50 Diesel-powered sand trucks, one of the largest ever placed for this type of vehicle.

As a speculative proposition, and contingent upon fairly broad recovery in heavy industry and construction activity, the shares of Mack Trucks justify favorable consideration.

Westinghouse Electric & Mfg. Co.

In the first six months of the current year, Westinghouse Electric & Mfg. Co., the third largest manufacturer of electrical equipment, reported aggregate sales of $82,808,754 and new business booked totaled $76,713,806. These items compare with $101,861,631 and $142,209,475, respectively, in the same period a year ago. Net profit in the first six months totaled $4,500,602, as compared with $11,331,772 in the corresponding months of 1937. Thus, bookings this year declined 46 per cent, billings were off 18 per cent and profits were down 60 per cent. As yet, the company's incoming business has failed to show any significant improvement; July bookings are believed to have been between $11,500,000 and $12,000,000, or about the same as in May and June. However, if general business, as reliably indicated, is now in a period of sustained, but perhaps irregular, recovery, sales, bookings, and earnings of Westinghouse may be expected to record substantial gains in the months ahead. This prospect would appear to be substantiated by the company's showing when business emerged from the depression of the early 30's.



Courtesy Westinghouse E. & M. Co.
Building a huge generator rotor

Courtesy Briggs Mfg. Co.
Machining plumbing fixtures

In 1933 Westinghouse reported net sales of $66,431,592 and in that year operations resulted in a loss of $8,636,841. In the following year, 1934, bookings increased 47 per cent and sales were up 38 per cent, enabling the company to show a modest profit—$189,563. A 30 per cent gain in sales in 1935 brought the total up to $122,588,556 and a net profit of $11,983,881 was shown. The latter was equivalent to $4.50 a share on the combined preferred and common stock outstanding. On the basis of the company's showing in these years and making ample allowance for the higher costs now in effect, it would appear that the company's current pay-point is represented by an annual sales volume of between $95,000,000 and $100,000,000.

Although unfilled orders on June 30th, last, of $50,432,000 were down some $33,000,000 from the level a year ago, total sales this year will be substantially in excess of the company's indicated pay-point. The company's capitalization in relation to normal earning power is modest, consisting of 79,974 shares of 7 per cent participating preferred stock and 2,592,155 shares of common stock. Last year, earnings were equal to $7.53 a share on the combined preferred and common stock and in the first half of the current year, net was equivalent to $1.68 per share on the common stock, after allowing for preferred dividend requirements.

Recently quoted around 100, it is rather obvious that the market for the shares of Westinghouse Electric & Mfg. is demonstrating considerable confidence in the company's ability to show an early and substantial improvement in earnings. Due, however, to the company's proven ability in this respect, such market anticipation is not wholly speculative. With electric power consumption again in an uptrend, the outlook for renewed utility purchases has brightened, which prospect, coupled with the sustained level of building activity and the better industrial outlook generally, would seem to suggest an early reversal in the company's down trend of new orders. A recognized "blue chip" the shares

even at current advanced levels offer excellent profit possibilities over the next recovery period.

Briggs Mfg. Co.

It has been the tendency in recent years for suppliers of automobile parts and equipment to enlarge the scope of their activity to embrace other industrial fields not directly related to the automobile industry. This policy, of course, is a deliberate attempt to relieve these companies from complete dependence upon a single industry and impart a greater measure of stability to earning power. In 1933, Briggs Mfg. began the production of kitchenware and laundry and bathroom equipment. In subsequent years, this division of the company's business has grown rapidly and the company now has an important stake in the building industry. As yet, however, by far the major portion of the company's income is derived from the automobile industry. Briggs supplies a substantial portion of the bodies used by Ford and an increasingly larger proportion of Chrysler bodies. During the past year, the company has enlarged its facilities to include the production of body moldings and other integral body parts, enabling it to bid for business on the basis of complete body assemblies.

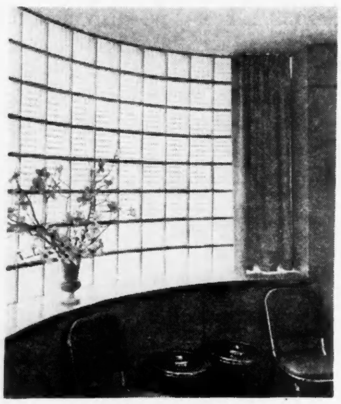
With its fortunes closely tied to the automobile industry, the company has shared substantially in the remarkable recovery of that industry in recent years. Following deficits in 1932, equal to 96 cents a share, earnings in subsequent years rose rapidly and in 1936 an income of $10,411,077 established a new high record. In that year, earnings were equivalent to $5.26 per share on 1,979,000 shares of common stock, representing the sole capital obligation. Last year sales were nearly $8,000,000 higher than in 1936, but forced to absorb materially higher labor costs, operating income declined about 5 per cent to $13,255,000.

Last year gross sales totalled nearly $159,000,000, on which a profit margin of slightly more than 8 per cent was shown. Net income, after liberal allowance for depreciation, last year totaled $9,391,000, or the equivalent of $4.75 a share. Reflecting the steady deterioration in automobile sales and production in the first six months of this year, the company's net profit declined to $947,448, or the equivalent of 48 cents a share, contrasting with $5,928,670, or $3 a share in the first six months of 1937.

Although earnings in the second quarter of this year were nearly double those shown in the first quarter, further significant improvement may be delayed until the fourth quarter when the automobile industry will be in full production on 1939 models. At this time, sentiment in the automobile industry is distinctly more hopeful than it has been for some months and this optimism appears well founded. While the shares of Briggs Mfg., at 32, appear high in relation to recent earnings, present quotations appear reasonable in relation to the company's demonstrated earning power under more normal conditions in the automobile industry.

Libbey-Owens-Ford Glass Co.

Together with the Pittsburgh Plate Glass Co., Libbey-Owens-Ford Glass Co. produces about 85 per cent of the automobile safety glass, 93 per cent of the plate and 70 per cent of the window glass used in the United States. Products include plate glass, window glass, and structural glass used for walls, counter tops, barrooms, etc. The company is credited with supplying the major portion of the safety plate glass used in the automobile industry and with this type of glass now being used almost exclusively, sales and earnings of Libbey-Owens-Ford tend to conform with the volume of automobile production and sales. In addition to supplying Ford and other manufacturers, the company has a contract to supply all General Motors' glass requirements until September, 1941. The building industry ranks next in importance as a consuming outlet for the company's products and if the company is successful in popularizing the newly developed double window pane as an insulating feature in home construction, sales to the building industry may conceivably contribute a larger proportion of total business.



Courtesy Libbey-Owens-Ford Glass Co.

Glass brick provides new markets

Last year, the company's net income established a new high record, the total of $10,518,918, comparing with $10,379,538 in 1936. Applied to the 2,508,380 shares of capital stock outstanding, net last year was equal to $4.19 a share, comparing with $4.14 and $3.26 a share in 1936 and 1935, respectively. In view of the fact, however, that the substantial earnings gain of recent years reflected for the most part the full adoption of safety glass by the automobile industry, it is possible that the 1937 showing may constitute the peak of the company's earning power for several years to come. Nevertheless, if the company is successful in restoring earnings to the 1936-37 level, this achievement would represent considerable improvement over the results thus far in the current year and would certainly justify higher levels for the shares. For the six months ended June 30th the company reported a loss of $421,880 as compared with net income of $5,631,469, or $2.25 a share in the first half of 1937. Notwithstanding current losses, dividends have been maintained at the rate of 25 cents a share quarterly, a policy justified by the company's exceptionally strong financial position. Recent quotations around 47 compare with a 1937 high of 79 and a 1938 low of 23¼.

Revere Copper & Brass Co.

Revere Copper & Brass Co. is a leading fabricator of a diversified line of copper, brass, bronze and alloy products, the majority of which are used in such basic industries as building, automobile and electrical equipment. A sizable stock interest in the company is held by both American Smelting & Refining and General Cable Corp. While the company's earnings fluctuate widely in conformance with the general trend of business, year-to-year variations (*Please turn to page* 600)

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

International Nickel Company of Canada, Ltd.

Seeking investment income combined with price enhancement, we contemplate purchasing International Nickel. Do you consider this stock an outstanding buy at current levels, as well as a first-class hedge against inflation? Your advices have guided me profitably for the past five years.—R. E., Akron, Ohio.

Unsatisfactory consumption of nickel in the United States has necessitated the closing of certain properties of International Nickel Co. Previously, the company was operating at a rate comparable to 1937 earnings. This caused second-quarter profits to be under the 66 cents per common share registered during the initial three months of 1938 and resulted in half-year earnings of $1.08 versus $1.71 in the initial six months a year earlier. There is no question, however, that the company will continue to pay the 50-cent quarterly dividend rate in effect. We refer you to page 570 of this issue for further information regarding dividends. The common shares of International Nickel may be considered for your portfolio for several reasons. Among the most important is the fact that the company has substantial reserves of silver, gold, platinum and copper. Moreover, the broad range of the company's market — freely traded in this country, Canada and several European countries—makes the shares easily marketable. Another point is the constantly widening uses for nickel. As this company controls about 85% of the entire world's supply of this necessary metal, the inherent possibilities of the company may be gauged. Profits for 1937 of $3.31 per common share were the largest in the company's history. However, unsatisfactory prices for copper and poor demand for nickel will naturally result in lower profits for the year 1938. The primary interest of the shares, however, lies not in the near-term possibilities but in the longer term potentialities. Demand from the home market should gradually improve, while armament demand from abroad, while uncertain, should continue relatively satisfactory. Nonferrous metal consumption abroad held up well and there is little to indicate any change from this source. Longer term prospects, therefore, must be construed as entirely favorable. The financial position maintained by the company is extremely strong, making possible future liberal dividend payments. In summary, the common equity is high grade and should prove a worth-while addition to your investment portfolio.

R. J. Reynolds Tobacco Co.

For years, a considerable portion of the writer's funds has been placed in R. J. Reynolds, Class "B." Is retention definitely advisable in view of increasingly keen competition? What is the investment outlook from the standpoint of earnings, dividends and capital growth?—E. H., New York, N. Y.

Lower prices for leaf tobacco, coupled with a substantially larger crop, plus close control of promotional expenses, are believed to be factors which will enable R. J. Reynolds to maintain earnings on a basis which will compare satisfactorily with those of past years. For the year ended December 31, 1937 (latest report available as company publishes no interim reports), earnings of $2.82 were recorded on the common and Class "B" shares. As it is understood that current volume sales are running moderately ahead of those during 1937, profit margins should rise accordingly. It is reasonable to suppose that profits for the full year 1938 will continue sufficiently enough to allow liberal dividend payments to the stockholders.

While it is true that competition in this industry is exceptionally keen, the well-established trade names of the company, such as

When *Quick* Service Is Required, Send Us a Telegram Prepaid and Instruct Us to Answer Collect.

"Camels" and "Prince Albert," have and will, in all probability, continue to enjoy a good demand. Consumption of cigarettes does not fluctuate widely and we see that the earnings record of the company is fairly stable. The directors of the company initiated a new dividend policy which provides for annual payments spread over five installments, the final payment for the year being dependent upon the amount of earnings undistributed in the regular four quarterly dividends. This dividend policy should prove instrumental in building up the cash position of the company. At the close of the 1937 year, cash holdings were reported at approximately $3,500,000, a large decrease from the $60,000,000 at the end of 1932. However, inventories rose from $76,000,000 to $138,000,000 in that same period, no doubt reflecting higher prices and increased volume. Weighing the situation on the whole, we believe that the Class "B" stock is of high investment caliber and that retention is in order.

Remington Rand, Inc.

Early last year I paid 27½ for 300 Remington Rand. Shall I continue to hold? Having recently reported $2.36 a share, why is the common now selling at such a low price-earnings-ratio? Are present dividend payments to be maintained?—L. T., Minneapolis, Minn.

Report of Remington Rand for the fiscal term ended March 31, 1938, showed an increase in sales of 8.2% over sales volume of the preceding fiscal year and the highest for that period since 1930. As a result share earnings, after full dividend requirements on the preferred stock, amounted to $2.32, as against $1.73 a share in the preceding fiscal term. Currently the company is contemplating mass production of its low priced portable typewriter, in the belief that the sales possibilities are greater in this machine than in the more highly developed precision machine. Certainly, the costs are lower when it is considered that skilled workmen are not as important and the cost of assembly is much smaller. Remington Rand has always been a leader in its field and has maintained its position by continued research in order to develop a new and better type of office equipment. Recently, the company began to market an electric shaver which has met with good public demand. Although earnings for the past fiscal term were improved, future profits cannot duplicate the performance unless a reversal in the business picture takes place. Earnings of the company follow closely general business trends and any expansion in industrial and commercial activity in the months ahead should be reflected in the company's sales volume, accompanied by rising earnings. As a speculative vehicle the shares possess longer possibilities.

New Jersey Zinc Co.

While I am disinclined to sell so regular an income producer as New Jersey Zinc, I am worried over the comparatively poor earnings for the first half of this year. I have 100 shares at 85. Kindly advise me what action to take.—M. F., Portland, Oregon.

Continuing lower prices for zinc and zinc oxide caused earnings of New Jersey Zinc Co. to shrink considerably during the first half of 1938. Per share earnings amounted to only 71 cents per capital share, against a substantially larger figure of $2.22 sustained during the initial half of 1937. Not only has the company had to contend with lower prices, but demand has slumped appreciably. It is reasonably certain, however, that given any reversal in the general business picture, earnings of New Jersey Zinc would undoubtedly recover rapidly. Of course 1938 earnings will be substantially lower than the $4.01 per share sustained during the entire year of 1937. On the other hand, we believe that the capital stock of the company will continue to afford a profitable medium for the individual who is willing to exercise sufficient patience. For the annual dividend prospects, turn to page 570 of this issue. Since its inception, the company has never failed to record a profit, and has at all times maintained a dividend on its capital stock. It is impossible to determine the financial status of the concern as no balance sheet has ever been published. It is assumed, however, that the company enjoys a strong financial position as dividends have always exceeded earnings by a substantial amount, even during the worst years of the depression.

Shell Union Oil Corp.

I understand that Shell Union, through its national advertising campaign, is becoming widely popular. Is the stock likely to have a sharp run up due to a much better situation in the oil industry? I would like to see daylight on 200 shares which cost me 31. V. O., Philadelphia, Pa.

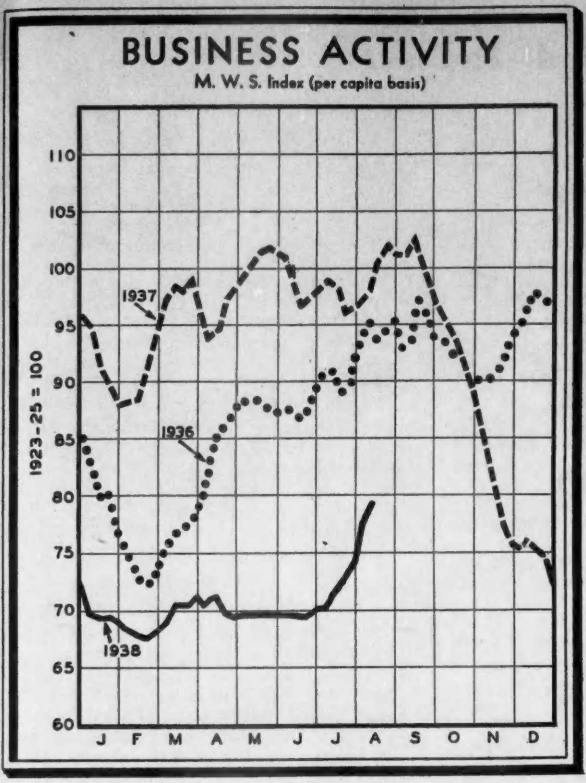
Shell Union Oil is completely integrated, operations extending from oil wells to marketing outlets. The company has been constantly increasing operating efficiency and has also strengthened the marketing division. Nevertheless, the lower prices for refined products and higher costs led to lower profits during the initial six months of 1938 and also to a lower dividend. For the six months ended June 30, 1938, Shell Union recorded profits of 37 cents per share on the common stock, against 57 cents for the like half of 1937. The interim dividend paid was only 35 cents on the common, against 50 cents a year earlier. As of the year-end, cash and Government securities totaled $15,967,669. Funded debt was recently increased by a private loan for $25,000,000 on a 15-year basis. This brought the total funded debt up to approximately $83,000,000. In addition to this there are outstanding 341,100 shares of 5% preferred stock and 13,070,625 shares of no par common. The prior issues outstanding, however, afford the common with satisfactory leverage features, which should react to the benefit of the stockholder when and if normal conditions are again to be felt in the oil industry. The shares, at present prices, offer fair possibilities, and we counsel holding.

American Hide & Leather Co.

How do you regard American Hide & Leather? Would you hold as an attractive speculation 1,000 shares for which I paid 8? What is the financial status of the company? Is the present inventory position favorable?—F. G., Detroit, Mich.

Although prices for side upper and calf leather were more satisfactory during the last quarter of the current fiscal year for American Hide & Leather, tannery operations were not increased materially. At present, the company is operating both of its plants at approximately 60% of capacity. During the period referred to, there was a quickening demand for leather and, although short-lived, was instrumental in restricting the earnings deficit on the common stock to $1.49 per share.

(*Please turn to page* 600)



HIGHLIGHTS

INDUSTRY—Production regains 29% of ground lost during the depression.

TRADE—Hot weather hampers sales temporarily.

COMMODITIES—Drop in farm prices checked. Other industrial staples firm.

MONEY AND CREDIT — Business loans expand seasonally.

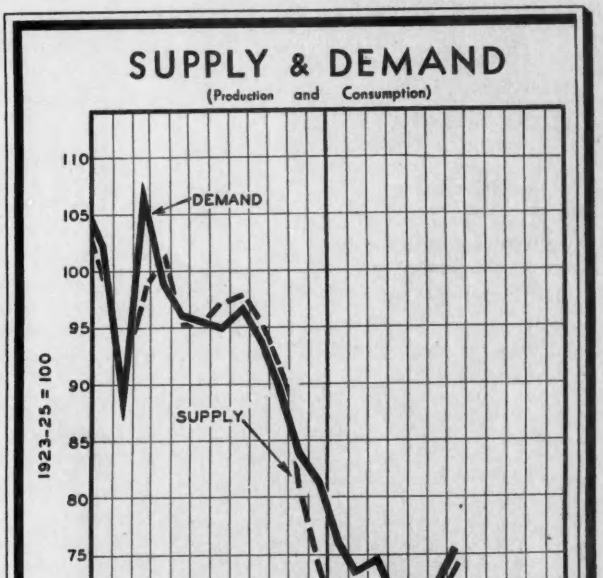
The Business Analyst

With all components of our Index reporting better-than-normal seasonal improvement during the past fortnight, the nation's per capita volume of **Business Activity** has expanded to the best level since the week ended November 13. At 78.0% of the 1923-5 average, the annual rate at which new wealth is being produced, as measured by our Business Activity Index, is up 15% from the depression low and has recovered 29% of ground lost during the slump. For the month of July, per capita Business Activity rose to 73% of the 1923-5 average, compared with 69.5 in June and 97.6 for July, 1937. For seven months, the average has been 70.0, against 96.2 for the like period last year.

* * *

Such encouraging resistance to the customary summer lethargy holds promise of further gains during autumn months under the combined impetus of Government spending and normal economic forces which, in pre-New Deal days, could always be relied upon to pull the nation out of a depression. As things are shaping up now it looks as though the peak of Government pump priming expenditures may be reached next spring at a time when the natural forces of recovery are also in full swing. If so, something approaching boom conditions could develop next year.

(Please turn to next page)



Business and Industry

	Date	Latest Month	Previous Month	Last Year
INDUSTRIAL PRODUCTION (b)				
World	May	89.1	89.8	112.1
U. S. A (ba)	July	80(pl)	77	114
Canada	June	92.7	95.5	110.9
United Kingdom	June	110.8	109.8	120.4
France	May	......	71.7	82.7
Germany	May	126.5	124.6	117.6
WHOLESALE PRICES (h)	July	78.6(pl)	78.0	87.9
COST OF LIVING (d)				
All Items	July	86.5	86.7	88.9
Food	July	81.7	81.9	87.7
Housing	July	86.6	86.7	87.1
Clothing	July	73.5	73.9	76.9
Fuel and Light	July	84.1	83.7	84.1
Sundries	July	97.4	97.5	96.9
Purchasing value of dollar	July	115.6	115.3	112.5
NATIONAL INCOME (cm)†	June	5,248	4,883	5,951
CASH FARM INCOME†				
Farm Marketing	June	$609	$514	$740
Including Gov't Payments	June	644	559	751
Total, First 7 Months	1938	3,985	......	4,579
Prices Received by Farmers (ee)	July	95	92	125
Prices Paid by Farmers (ee)	July	123	124	133
Ratio: Prices Received to Prices Paid (ee)	July	77	74	94
FACTORY EMPLOYMENT (f)				
Durable Goods	June	65.1	67.2	97.8
Non-durable Goods	June	88.0	88.6	105.3
FACTORY PAYROLLS (f) (not adjusted)	June	67.0	69.2	102.9
RETAIL TRADE				
Department Store Sales (f)	July	85	82	94
Chain Store Sales (g)	July	108.2	106.3	114.5
Variety Store Sales (g)	July	112.2	110.0	120.0
Rural Retail Sales (j)	July	110.2	112.4	119.1
Retail Prices (s) as of	July 1	89.2	96.0	89.5
FOREIGN TRADE				
Merchandise Exports†	June	$232.7	$257.2	$265.3
Cumulative year's total†	June 30	1,592.1	1,359.5	1,536.6
Merchandise Imports†	June	145.9	148.3	286.2
Cumulative year's total†	June	961.0	815.3	1,683.4
RAILROAD EARNINGS				
Total Operating Revenues★	1st 6 ms.	$1,638,408	......	$2,086,873
Total Operating Expenditures★	1st 6 ms.	1,331,962	......	1,558,570
Taxes★	1st 6 ms.	169,662	......	163,997
Net Rwy. Operating Income★	1st 6 ms.	70,289	......	299,466
Operating Ratio %	1st 6 ms.	81.40	......	74.68
Rate of Return %	1st 6 ms.	0.67	......	2.84
BUILDING Contract Awards (k)				
Total†	July	$239.8	$251.0	$321.6
Residential†	July	88.0	85.7	81.0
Public Works and Utility†	July	79.2	83.5	102.5
Non-Residential†	July	72.6	81.8	138.1
Publicly Financed†	July	97.8	143.2	130.8
Privately Financed†	July	142.0	107.8	190.8
Building Permits (c)				
214 Cities†	July	$67.7	$65.2	$74.9
New York City†	July	73.0	22.4	16.4
Total, U. S.†	July	140.7	87.6	91.3
Engineering Contracts (En)†	July	$223.3	$223.0	$260.0
CONSTRUCTION COST INDEX (En) 1913—100	Aug. 1	232.39	233.10	240.65

PRESENT POSITION AND OUTLOOK

(Continued from page 585)

New capital raised through flotation of corporate securities amounted to $129,000,000 in July, a decrease of 35% from the like period a year earlier. For seven months the total came to $619,000,000—26% less than last year. In this connection it is interesting to observe that, out of $490,000,000 in new capital raised through flotation of corporate securities during the first six months, only $195,000,000 to be raised for that purpose was included in securities whose registrations became effective during that period. This speaks eloquently for the amount of new financing that is being placed privately without any registration of securities.

* * *

According to the most recent data available at present writing, **raw material prices** are now 25% below last year, **wholesale prices** are down 10%, **retail prices** 7.5%, and **living costs** 2.4%. **Prices received by farmers** are 24% lower than last year. For the month of July, **department store sales** throughout the nation were 12% below last year in dollar totals; but declined only 2% in unit quantity. **Chain store sales** for July were off 9% from last year, compared with a seven months' decrease of 6.8%. **Variety store sales** declined 9.8% in July, against 5.4% for seven months; while **rural sales** decreased 7.5% against 9%. **Department store sales** throughout the nation for week ended Aug. 6 were 12% under last year. Inventories carried by wholesalers throughout the country have been reduced by 16.7% during the past 12 months.

* * *

Car loadings on a seasonally adjusted basis have held steady during the past fortnight at a level about 43% below last year. Chairman Splawn of the ICC draws attention to the vast scale upon which private corporations, free from the regulations imposed upon common carriers, are engaged in transporting their own goods. Such competition is harmful to the **railroads,** but a boon to **truck** manufacturers. Nevertheless, for the second consecutive month, the **railroads** in August are expected to be in the black. The rail wage dispute has been submitted to mediation; but no decision is looked for until late September at the earliest.

* * *

Engineering contracts awarded during week ended Aug. 11 staged a 69% increase over the like period of 1937, against a cumulative gain of only 1.1% for the year to date. For the month of July, mortgages selected for appraisal by the FHA were 100% ahead of last year, compared with a seven months' increase of only 44%; while mortgages approved for insurance rose 65%, against a gain of only 20% for seven months. **Building material prices** at wholesale are now 10.3% below last year.

	Date	Latest Month	Previous Month	Last Year
STEEL				
Ingot Production in tons★	July	1,982	1,638	4,556
Pig Iron Production in tons★	July	1,202	1,062	3,499
Shipments, U. S. Steel in tons★	July	441.6	478.1	1,187
AUTOMOBILES				
Production				
Factory Sales	June	174,667	192,068	497,312
Total 1st 6 Months	1936	1,103,074	......	2,788,298
Retail Sales				
Passenger Cars, U. S.	June	153,005	178,060	360,236
Trucks, U. S.	June	30,232	32,206	57,135
PAPER (Newsprint)				
Production, U. S. & Canada★ (tons)	July	265.8	267.0	392.7
Shipments, U. S. & Canada★ (tons)	July	275.2	274.7	381.6
Stocks, U. S. & Canada★ (tons)	July	201.8	211.2	93.08
LIQUOR (Whisky)				
Production, Gals.★	June	4,715	7,667	15,980
Withdrawn, Gals.★	June	5,175	5,088	4,492
Stocks, Gals.★	June	471,160	472,151	445,286
GENERAL				
Machine Tool Orders (f)	July	89.6	70.2	171.1
Railway Equipment Orders (Ry)				
Locomotive	July	3	33	3
Freight Cars	July	None	1,091	1,030
Passenger Cars	July	None	None	14
Cigarette Production†	June	14,717	14,324	14,260
Bituminous Coal Production★ (tons)	July	23,460(pl)	22,470	31,990
Boot and Shoe Production Prs.★	June	26,677	30,314	34,449
Portland Cement Shipments★	July	10,163	10,932	12,240
COMMERCIAL FAILURES (c)	July	995	1,018	618

PRESENT POSITION AND OUTLOOK

Automobile assemblies, at 13,790 units during week ended Aug. 13, are believed to have reached the season's low point. For the month of August, production of both old and new models is expected to reach about 75,000 **cars** and **trucks,** against 405,000 last year. With field stocks now less than half the number a year ago, production is likely to expand this autumn to a level considerably higher thar retail sales, to replenish depleted inventories.

* * *

Shoe production in July is estimated at 30,000,000 pairs—13% below the like month of 1937; but 13% ahead of June. The industry looks for normal production during the second half. **Portland cement shipments** during July amounted to 10,163,000 bbls., 17% below last year. Inventories on July 31 amounted to 23,271,000 bbls., fractionally lower than a year ago.

* * *

July witnessed the second successive monthly increase in **machine tool orders** over the preceding month, in both domestic and foreign business. While total orders during July were only a little more than half of last year's volume, the increase over June amounted to 27%. Machine tool orders are looked upon as a good barometer of the heavy goods field.

WEEKLY INDICATORS

	Date	Latest Week	Previous Week	Year Ago
ELECTRIC POWER OUTPUT				
K.W.H.†	Aug. 13	2,134	2,116	2,300
TRANSPORTATION				
Carloadings, total	Aug. 13	589,561	584,050	773,782
Grain	Aug. 13	47,896	51,519	42,982
Coal	Aug. 13	91,517	90,927	116,325
Forest Products	Aug. 13	29,724	28,895	40,749
Manufacturing & Miscellaneous	Aug. 13	230,917	224,705	308,301
L. C. L. Mdse	Aug. 13	148,536	149,243	166,679
STEEL PRICES				
Pig Iron $ per ton (m)	Aug. 16	19.61	19.61	23.25
Scrap $ per ton (m)	Aug. 16	14.41	14.33	20.50
Finished c per lb. (m)	Aug. 16	2.300	2.300	2.512
STEEL OPERATIONS				
% of Capacity week ended (m)	Aug. 20	41.0	40.0	83.0
CAPITAL GOODS ACTIVITY (m) week ended	Aug. 13	50.2	49.6	106.0
PETROLEUM				
Average Daily Production bbls.★	Aug. 13	3,360	3,318	3,719
Crude Runs to Stills Avge. bbls.★	Aug. 13	3,295	3,215	3,395
Total Gasoline Stock bbls.★	Aug. 13	74,387	75,380	68,840
Gas and Fuel Oil Stocks bbls.★	Aug. 13	146,261	144,699	109,712
Crude—Mid-Cont. $ per bbl	Aug. 20	1.22	1.22	1.27
Crude—Pennsylvania $ per bbl	Aug. 20	1.40	1.40	2.35
Gasoline—Refinery $ per gal	Aug. 20	.06⅝	.06⅝	.07⅝

PRESENT POSITION AND OUTLOOK

Aided by expanding industrial activity and high temperatures, which have stimulated the consumption of electricity for refrigeration and air cooling, the margin of decline in **electric power output** below last year has narrowed to around 6%. While **electric power** sold to customers during May was 11% lower than a year earlier, total revenue from consumers was only 1.4% lower owing to the expanding residential load on which rates are higher than for residential users.

* * *

Although orders for **steel** booked thus far in August are running ahead of the July daily average, part of the recent expansion in operations to around 40% of capacity has been due to stocking by mills and jobbers. Large consumers are still holding back pending more convincing indications of the price and wage trend. Higher **scrap prices** have brought in larger supplies, and so checked the advance temporarily.

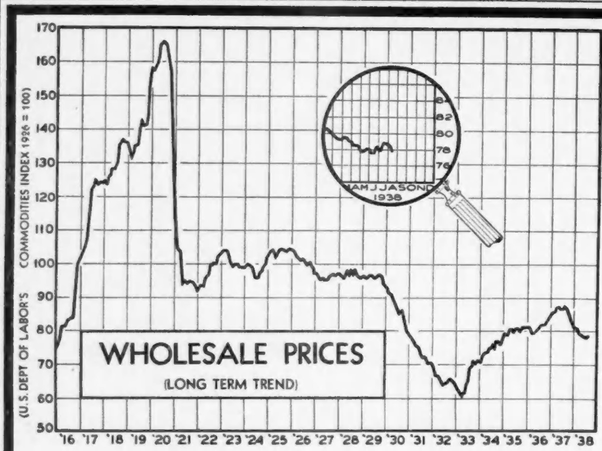
* * *

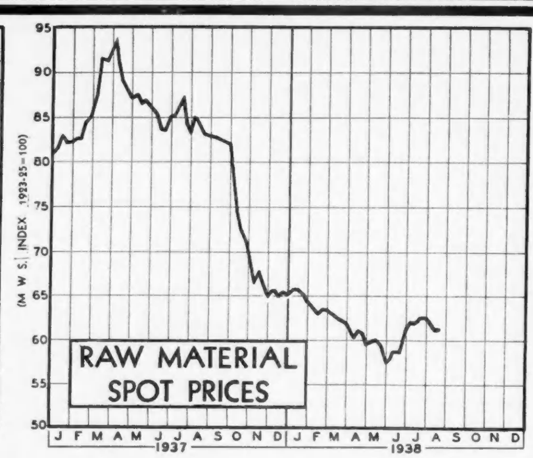
With **gasoline** and Fuel Oil inventories still excessive in relation to consumption, a gasoline price war has broken out among independent stations in Pittsburgh, and the Texas Railroad Commission is considering a return to the five-day-a-week **crude oil** production schedule for September.

†—Millions. ★—Thousands. (b)—Annalist Index 1928—100. (ba)—Federal Reserve 1923-25—100. (c)—Dun & Bradstreet's. (cm)—Dept. of Commerce estimates of income paid out. (d)—Nat. Ind. Conf. Bd. 1923—100. (e)—Dept. of Agric., 1924-29—100. (ee)—Dept. of Agric., 1909-14—100. (f)—1923-25—100. (g)—Chain Store Age 1929-31—100. (h)—U.S.B.L.S. 1926—100. (j)—Adjusted—1929-31—100. (k)—F. W. Dodge Corp. (m)—Iron Age. (n)—1926—100. (pl)—Preliminary. (s)—Fairchild Index, Dec., 1930—100. (En)—Engineering News Record. (Ry)—Railway Age.

Trend of Commodities

A moderate recovery in the prices of farm commodities from their current lows, reached following the publication of the August 1 crop reports by the Government, has had the effect of arresting the decline in commodity price indexes. However, in view of the seriously unbalanced supply-demand situation with which such major farm products as wheat, corn and cotton are burdened, it is unlikely that the recent price recovery in these commodities is little more than a technical rally. It is difficult to envisage any development aside from a European war, which could be counted upon to relieve world markets of the huge supplies, of wheat, corn and cotton. Sustained firmness in industrial commodities, on the other hand, remains one of the brightest spots in the business picture. Evidence is accumulating that business managers are showing increasing willingness to undertake forward commitments.





Changes in Major Commodity Price Group for the Fortnight Ended August 13, 1938

Farm Products	67.0	down 1.6	Metals	95.5	up 0.1
Foods	72.2	down 1.9	Building Material	89.3	up 0.1
Hides and Leather	92.5	no change	Chemical	77.2	up 0.2
Textiles	65.5	down 0.2	Housefurnishings	87.8	down 0.1
Fuel and Lighting	78.0	up 0.7			

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Year Ago
COTTON				
Price cents per pound, closing				
October	Aug. 20	8.28	8.13	9.83
December	Aug. 20	8.35	8.21	9.87
Spot	Aug. 20	8.40	8.25	9.99
(In bales 000's)				
Visible Supply, World	Aug. 19	7,613	7,663	4,275
Takings, World, wk. end	Aug. 19	295	223	456
Total Takings, season Aug. 1 to	Aug. 19	780	486	810
Consumption, U. S.	July	450	443	583
Exports, wk. end	Aug. 19	60	50	59
Total Exports, season Aug. 1 to	Aug. 19	139	79	141
Government Crop Est.	Aug. 1	11,988	......	18,946(e)
Active Spindles (000's)	July	21,916	21,144	24,394
WHEAT				
Price cents per bu. Chi. closing				
September	Aug. 20	63⅞	61⅝	104¾
December	Aug. 20	65⅞	63⅞	105⅝
Exports bu. (000's) since July 1 to	Aug. 13	20,345	16,950	15,040
Exports bu. (000's) wk. end	Aug. 13	3,395	3,361	2,391
Visible Supply bu. (000's) as of	Aug. 13	101,145	96,260	110,291
Gov't Crop Est. bu. (000's)	Aug. 1	955,989	......	873,993(e)
CORN				
Price cents per bu. Chi. closing				
September	Aug. 20	52¼	51⅝	94⅝
December	Aug. 20	49⅜	48½	64¾
Exports bu. (000's) since July 1 to	Aug. 13	26,087	21,214	69
Visible Supply bu. (000's) as of	Aug. 13	11,497	13,654	5,920
Gov't Crop Est. bu. (000's)	Aug. 1	2,566,221	......	2,644,995(e)

PRESENT POSITION AND OUTLOOK

Cotton. Despite the efforts of Secretary Wallace to forestall cotton loans, prices have declined to a point making loans mandatory. It has been officially announced that the loan will be between 8.20 and 8.30 cents a pound. The August 1 estimate indicated the new crop would be about 750,000 bales above the consumption of the old crop, suggesting the possibility that the loan may have a more stabilizing effect than it did last year. On the other hand, granting excessive premiums on the better grades of cotton would probably stifle demand and enlarge the carry-over. The Government already has 7,000,000 bales against which loans have been granted.

* * *

Wheat. Obscured by loans and talk of export subsidies, the outlook for wheat prices is a confused one. Last year the U. S. exported about 90,000,000 bushels of wheat but just how this can be increased to 100,000,000 bushels (Secretary Wallace's figure) with the substantially larger supplies abroad and available for export, is anyone's guess. Farmers are holding wheat in most sections, the loan program being more attractive than prevailing prices.

* * *

Corn. The latest Government estimate was 84,000,000 bushels higher than last month and referendum on marketing quotas was avoided only by the expedient of estimating carry-over at only 320,000,000 bushels and placing consumption at a higher level.

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Year Ago
COPPER				
Price cents per lb.				
Domestic	Aug. 20	10.125	10.125	14.00
Export c. i. f.	Aug. 20	10.000	10.05	14.05
Refined Prod., Domestic (tons)	July	35,596	32,465	79,611
Refined Del., Domestic (tons)	July	41,249	32,863	67,356
Refined Stocks, Domestic (tons)	July	339,970	358,971	117,741
Refined Prod., World (tons)	July	139,483	142,532	193,271
Refined Del., World (tons)	July	167,782	145,393	180,601
Refined Stocks, World (tons)	July	523,196	551,495	313,115
TIN				
Price cents per lb., N. Y.	Aug. 20	43.0	43.0	60.0
Tin Plate, price $ per box	Aug. 20	5.35	5.35	5.35
World Visible Supply†	Aug. 1	31,097	29,061	25,646
U. S. Deliveries†	July	3,775	4,205	4,980
U. S. Visible Supply†	Aug. 1	11,161	9,966	11,705
LEAD				
Price cents per lb., N. Y.	Aug. 20	4.90	4.90	6.50
U. S. Production (tons)	June	35,028	32,977	40,156
U. S. Shipments (tons)	June	35,343	26,011	42,710
Stocks (tons) U. S., as of	June	163,346	163,723	113,370
ZINC				
Price cents per lb., St. Louis	Aug. 20	4.75	4.75	7.25
U. S. Production (tons)	July	30,362	30,799	49,181
U. S. Shipments (tons)	July	33,825	29,248	49,701
Stocks (tons) U. S., as of	July	146,208	149,671	13,561
SILK				
Price $ per lb. Japan xx crack	Aug. 20	1.73-1.78	1.74-1.79	1.88-1.93
Mill Dels. U. S. (bales), season to	Aug. 1	32,593	★	31,399
Mill Deliveries U. S. (bales)	July	32,593	★	31,399
Visible Stocks N. Y. (bales) as of	July 31	42,305	★	41,494
Visible Stocks, World (bales) as of	July 31	138,105	★	141,094
RAYON (Yarn)				
Price cents per lb	Aug. 20	51.0	51.0	63.0
Deliveries (a)	July	843	473	697
All Rayon—Month's Supply	July 31	3.1	3.9	0.2
WOOL				
Price cents per lb. territory fine	Aug. 20	68-70	68-70	1.01-1.03
HIDES				
Price cents per lb. hvy. native Chi.	Aug. 20	12.00	11.50	17.50
Visible Stocks (000's) (b) as of	June 30	13,932	13,874	15,296
No. of Mos. Supply as of	July 1	8.9	8.2	7.8
RUBBER				
Price cents per lb	Aug. 20	16.25	16.0	18.50
Imports, U. S.†	July	22,918	26,011	39,108
Consumption, U. S.†	July	32,209	30,629	43,703
Stocks U. S. as of	July 31	284,914	294,566	167,094
Tire Production (000's)	June	3,112	2,842	5,339
Tire Shipments (000's)	June	4,025	3,372	5,389
Tire Inventory (000's) as of	June	8,812	9,855	12,529
COFFEE				
Price cents per lb. (c)	Aug. 20	7.50	7.50-7.75	11.50
Imports (bags 000's)	July	1,185	1,095	891
Imports, season to	June 30	12,366	......	12,467
U. S. Visible Supply (bags 000's)	July 1	1,418	1,299	1,496
SUGAR				
Price cents per lb.				
Domestic No. 3 Sept.	Aug. 19	1.82-1.83	1.80-1.82	2.47
Duty free delivered	Aug. 19	2.75	2.75	3.55
Refined (Immediate Shipment)	Aug. 19	4.30	4.30	4.69
U. S. Deliveries (000's)*	1st 7 Mos.	3,462	......	3,864
U. S. Stocks (000's)* as of	July 31	710	......	962

PRESENT POSITION AND OUTLOOK

Copper. July statistics revealed a decline of 28,299 tons in the world supply of refined copper. Domestic stocks declined 19,001 tons. July deliveries in U. S. totaled 41,249 tons vs. 32,863 tons in June. Demand in August, however, will have to increase appreciably to absorb the large output of Kennecott's Utah mine which resumed operations on August 1. Prices may mark time pending further indication of probable demand.

* * *

Tin. Prices have fluctuated in a narrow range and demand in recent sessions has been conspicuously dull. The domestic price of tin plate is likely to be under pressure when large can makers again enter the market. A reduction of at least 50 cents a box may be made.

* * *

Lead. July statistics which will have been released by the time this appears, and it is expected that a further reduction in stocks will be shown. Shipments in July are estimated at 40,000 tons and the same for August.

* * *

Zinc. Production in July was off 437 tons and shipments of all grades totaled 33,825 tons, compared with 29,248 tons in June, an increase of 4,577 tons. Further increase in consumption is looked for as the automobile industry gets into production on 1939 models.

* * *

Silk. August takings may increase 20 per cent bringing the total for the month up to about 38,000 bales, which would compare with 32,593 bales in July. On the strength of this favorable turn of events prices have been buoyant.

* * *

Rayon. Production has been stepped up; demand is active; and the trade regards the fall prospect optimistically. The belief is still held that a further price increase is imminent.

* * *

Wool. Trade anticipates increasing demand, an attitude which is supported by the more promising retail outlook for the fall months. Apparel is one of the first items to respond to increased employment and buying power.

* * *

Hides. Tanners are expecting shoe manufacturers to step up production in the near future, accompanied by enlarged buying orders. Hides continue to be favored by a strong statistical position.

* * *

Rubber. Domestic consumption increased 5.2 per cent and imports were off nearly 12 per cent from the June levels. Domestic stocks declined from 294,566 long tons in June to 284,914 at the end of July. Demand for tires and tubes has increased and manufacturers' and retailers' stocks are substantially under those a year ago.

* * *

Coffee. Prices remain fairly firm and unchanged. The belief prevails that Brazil crop will be smaller than expected at first and by the end of the crop year the supply-demand ratio will be practically balanced.

* * *

Sugar. A drastic revision in 1939 quotas is foreshadowed in December by the large supplies and low prices. The situation in the refining division is emphasized by the recent passing of dividends by American Sugar which had maintained payments without interruption for 10 years.

(a)—Expressed in % (1923-25—100). (c)—Santos No. 4 N. Y. (e)—1937 Harvest. (f)—Refiners' stocks of raw and refined. ★—New season began July 1. †—Long tons. *—Short tons.

Money and Banking

	Date	Latest Week	Previous Week	Year Ago
INTEREST RATES				
Time Money (60-90 days)	Aug. 22	1¼%	1¼%	1¼%
Prime Commercial Paper	Aug. 22	¾%	¾%	1%
Call Money	Aug. 22	1%	1%	1%
Re-discount Rate, N. Y.	Aug. 22	1%	1%	1½%
CREDIT (millions of $)				
Bank Clearings (outside N. Y.)	Aug. 6	2,280	2,136	2,647
Cumulative year's total to	Aug. 6	70,917	......	83,283
Bank Clearings, N. Y.	Aug. 6	2,776	2,841	3,552
Cumulative year's total to	Aug. 6	97,640	......	118,792
F. R. Member Banks				
Loans and Investments	Aug. 10	20,611	20,560	22,331
Commercial, Agr., Ind. Loans	Aug. 10	3,889	3,865	4,548
Brokers Loans	Aug. 10	622	602	1,356
Invest. in U. S. Gov'ts	Aug. 10	7,669	7,655	8,209
Invest. in Gov't Gtd. Securities	Aug. 10	1,650	1,646	1,176
Other Securities	Aug. 10	3,093	3,094	3,029
Demand Deposits	Aug. 10	15,009	14,951	14,914
Time Deposits	Aug. 10	5,193	5,193	5,229
New York City Member Banks				
Total Loans and Invest.	Aug. 17	7,542	7,527	8,330
Comm'l, Ind. and Agr. Loans	Aug. 17	1,470	1,460	1,788
Brokers Loans	Aug. 17	508	499	1,136
Invest. U. S. Gov'ts	Aug. 17	2,781	2,780	2,937
Invest. in Gov't Gtd. Securities	Aug. 17	773	786	403
Other Securities	Aug. 17	1,046	1,046	969
Demand Deposits	Aug. 17	6,224	6,229	5,998
Time Deposits	Aug. 17	660	638	720
Federal Reserve Banks				
Member Bank Reserve Balance	Aug. 17	8,085	8,046	6,744
Money in Circulation	Aug. 17	6,485	6,466	6,500
Gold Stock	Aug. 17	13,052	13,033	12,527
Treasury Currency	Aug. 17	2,724	2,723	2,577
Treasury Cash	Aug. 17	2,386	2,367	3,672
Excess Reserves	Aug. 17	2,930	2,920	780

		Latest Month	Last Month	Year Ago
NEW FINANCING (millions of $)				
Corporate	July	180.6	294.0	139.9
New Capital	July	129.0	199.0	81.7
Refunding	July	51.6	95.0	58.2

COMMENT

Business loans, after an extended period of almost uninterrupted decline, are showing a seasonal upturn. The latest statement of **New York City Banks** disclosed an increase of $10,000,000 in commercial loans, and brokers loans were up $9,000,000, with the net result that loans have gained $65,000,000 in the past fortnight and are now at their highest point in six weeks. Notwithstanding a decline of $12,000,000 in holdings of Government issues, both direct and guaranteed, the upturn in loans accounted for a net gain of $15,000,000 in earning assets. The decline in holdings of Government guaranteed issues is the first interruption in an upturn in this class of bank investments which had been sustained for some weeks. The rising trend of business loans in the case of local banks is likely to be duplicated in the later report of **101 Member Banks.** In the week ended August 10, all member banks reported an increase in commercial loans of $24,000,000, of which New York and Chicago banks accounted for $20,000,000. Despite the modest gain in the business loans of other banks, it is encouraging to note that gains were reported by seven out of the twelve Reserve districts. Holdings of Government direct obligations by banks in 101 cities increased $14,000,000, and guaranteed Government obligations were up $4,000,000 in the latest week. The latest statement of **Federal Reserve Banks** reveals an increase of $10,000,000 in excess reserves to $2,930,000,000, for which a decline of $37,000,000 in Treasury balances was mainly responsible. Monetary gold increased $19,000,000.

* * *

Indications point to a continuation in the rising trend of new financing. Recent activity has been the greatest since the middle of 1937. In the first two weeks of August new capital issues totaled $112,000,000 and plans officially announced by various large corporations presage a substantial gain in new financing for the full month.

POSITION OF FOREIGN BANKS

	Aug. 17, 1938	Aug. 18, 1937
BANK OF ENGLAND		
Circulation	£482,623,000	£490,975,000
Public Deposits	20,107,000	28,540,000
Private Deposits	139,790,000	125,031,000
Bankers Accounts	105,723,000	88,500,000
Other Accounts	34,067,000	36,531,000
Government Securities	104,641,000	107,137,000
Other Securities	28,454,000	27,816,000
Discount and Advances	6,462,000	6,187,000
Securities	21,992,000	21,629,000
Reserves	44,974,000	36,801,000
Coin and Bullion	327,597,000	327,776,000
BANK OF FRANCE	Aug. 12, 1938	Aug. 13, 1937
Gold Holdings	Fr.55,808,000,000	Fr.55,716,000,000
Credit Balances Abroad	748,000,000	16,000,000
Bills on France	5,843,000,000	8,180,000,000
Wheat Office Bills	....	....
Advance Against Securities	3,588,000,000	3,966,000,000
Note Circulation	100,224,000,000	88,904,000,000
Credit Currency Accounts	17,503,000,000	16,666,000,000
Temp. Advs. to State	40,133,000,000	23,878,000,000
Gold on Hand to Sight Liabilities	47.40%	52.78%

COMMENT

Business sentiment in Great Britain is cautiously optimistic. Exports in July gained over the June level, but were more than 21 per cent under the level of a year ago. Imports in July declined 3.3 per cent under June figures and 13.5 per cent under the level of July 1937. The adverse trade balance at the end of July amounted to £235,153,000 against £227,749,698 last year. Export decline has been particularly severe in manufactured goods, iron, steel, metals and chemicals.

* * *

Despite the constructive efforts of Premier Daladier, conditions in France still leave much to be desired and financial and business sentiment continues nervous. Capital is still fearful of further devaluation of the franc and in the face of the nation's unbalanced budget, the rising cost of government, and the restrictions which have been imposed upon industry under the guise of reform, such fears are not unjustified. These conditions explain the unwillingness of capital to seek long term ventures but continues to take refuge in bank deposits and short term obligations.

POSITION OF FOREIGN BANKS—Continued

GERMAN REICHSBANK	Aug. 15, 1938	Aug. 14, 1937
Gold and Bullion	Rm.70,773,000	Rm.69,312,000
Of Which Deposits Abroad	10,601,000	19,497,000
Reserve in Foreign Currency	5,724,000	5,981,000
Bills of Exchange & Checks	5,826,252,000	4,871,665,000
Investments	847,381,000	403,400,000
Other Assets	1,158,152,000	709,347,000
Notes in Circulation	6,290,400,000	4,756,228,000
Other Daily Matured Obligations	863,041,000	625,059,000
Other Liabilities	300,321,000	250,907,000
Proportion of Gold & Foreign Currency to Note Circulation	1.21%	1.58%

Army maneuvers tantamount to national mobilization in Germany have not obscured the "bloodless verdict of the markets." Stocks, particularly industrial issues, on the Berlin Boerse have been dumped in large quantities and declines have been so drastic that in the case of several issues, authorities took the unusual step of suspending trading. Selling has been accelerated by such factors as increased taxes, declining exports and the issuance of large amounts of treasury bills, the latter having the effect of draining liquid resources.

* * *

BANK OF CANADA	Aug. 17, 1938	Aug. 18, 1937
Reserve Gold, Coin & Bullion	$180,640,000	$179,507,000
Silver Bullion	....	2,559,000
Reserve in Sterl. & U. S. Dollars	24,357,000	23,889,000
Subsidiary Coin	335,000	185,000
Dom. & Prov. Gov't Short Term Securities	123,642,000	41,884,000
Other Dom. & Prov. Securities	52,737,000	93,878,000
Other Securities	....	11,002,000
Note Circulation	159,639,000	144,177,000
Deposits—Dom. Gov't	10,012,000	26,203,000
Chartered Banks	202,475,000	172,245,000
Res. to Note & Dep. Liabilities	54.86%	59.96%

Business in Canada which turned better in July has showed progressive improvement during August. Car loadings and bank clearings have risen and bond prices have been firm to higher. Although reports indicate considerable rust damage to the wheat crop, prospects favor a total yield not far short of earlier estimates and an exportable surplus of approximately 200,000,000 bushels is expected.

FOREIGN EXCHANGE IN DOLLAR TERMS

Quotations in cents and decimals of a cent except pound sterling which is in dollars and cents.	Demand		Cables	
Country and Par	Aug. 19	Year Ago	Aug. 19	Year Ago
Great Britain ($8.2397 a sov.)	4.88 1/8	4.98 7/8	4.88 1/8	4.98 7/8
Belgium (16.9502c a belga)	16.84 1/4	16.85 1/4	16.84 1/4	16.85 1/4
Czechoslovakia (3.51c a crown)	3.45 1/2	3.49 1/8	3.45 1/2	3.49 1/8
Denmark (45.374c a krone)	21.79	22.27 1/2	21.79	22.27 1/2
Finland (4.264c a finmark)	2.15 3/4	2.20 3/4	2.15 3/4	2.20 3/4
France (par not definite)	2.73 1/8	3.75 1/2	2.73 1/8	3.75 1/2
Germany (40.33c a mark)**	40.12	40.23	40.12	40.23
Germany (benevolent mark)	19.75	.....	19.75	.....
Germany (travel mark)	22.25	27.75	22.25	27.75
Germany (emigrant mark)	3.62 1/2	.....	3.62 1/2	.....
Germany (kredit mark)	4.85	.....	4.85	.....
Greece (2.197c a drachma)	0.89 1/2	0.91 1/2	0.89 5/8	0.95 5/8
Holland (par not definite)	54.70	55.19	54.70	55.19
Italy (5.2634c a lira)§	5.26 1/4	5.26 1/4	5.26 1/4	5.26 1/4
Norway (45.374c a krone)	24.53	25.07 1/2	24.53	25.07 1/2
Poland (18.994c a zloty)	18.86 1/2	18.94	18.86 1/2	18.94
Rumania (1.012c a leu)	0.74 1/2	0.75	0.74 1/2	0.75
Spain (Burgos peseta)†	10.00	10.00	10.00	10.00
Sweden (45.374c a krona)	25.16 1/2	25.72 1/2	25.16 1/2	25.72 1/2
Switzerland (par not definite)	22.94	22.97 1/4	22.94	22.97 1/4
Yugoslavia (2.981c a dinar)	2.33	2.33	2.33	2.33
Shanghai dollars (unsettled)	17.27	29.75	17.27	29.75
Hongkong dollars (unsettled)	30.58	31.29	30.58	31.29
India (61.798c a rupee)	36.41	37.68 1/2	36.41	37.68 1/2
Japan (84.39c a yen)	28.47	29.12	28.47	29.12
Sts. Settlements (96.139c a dollar)	56.94	58.60	56.94	58.60
Argentina (71.87c a paper peso)¶	25.65	30.25	25.65	30.25
Argentina (71.87c a paper peso)**	32.52	33.23	32.52	33.23
Brazil (20.25c a paper milreis)**	5.90	6.45	5.90	6.45
Chile (20.599c a gold peso)†	5.19	5.19	5.19	5.19
Colombia ($1.645 a gold peso)**	56.66	56.90	56.66	56.90
Mexico, peso (unsettled)†	20.50	27.80	20.50	27.80
Peru (47.409c a sol)†	22.37 1/2	26.00	22.37 1/2	26.00
Uruguay ($1.751 a gold peso)¶	42.00	59.00	42.00	59.00
Uruguay ($1.751 a gold peso)**†	64.20	79.10	64.20	79.10
Venezuela (32.67c a bolivar)¶	31.00	32.00	31.00	32.00
Venezuela (32.67c a bolivar)**	31.62 1/2	.....	31.62 1/2	.....

COMMENT

The foreign exchange markets of the past two weeks were featured by a continuance of the decline in foreign currencies in relation to the dollar. The decline, however, lost something of its momentum and there were moderate rallies towards the end of the period. Sterling, having closely approached its old parity of $4.8665 closed on August 19 at $4.88 1/8. Although French francs had greater difficulty in staging a reversal, nevertheless there was some improvement from the low point. On August 18 Premier Daladier announced an energetic program to defend the franc and the government's opposition to any renewed devaluation. Coinciding with the improved tone in the principal foreign exchanges there was an abatement in the demand for gold in the London market. The tense European political situation is reflected in the foreign exchange markets, but it is believed that if the next few weeks can be negotiated without open rupture the serious threat of war will not arise until next year.

* * *

There had been speculation as to why shipments of gold from Japan had not appeared in American gold statistics. It appears, however, that Japan has embarked upon a new foreign exchange policy. Finding that her industries were unable to operate because of a drastic shortage of raw materials as a result of the "Chinese incident" she proposes to set up a revolving fund in foreign exchange. Exporting industries will draw upon this fund to buy raw materials, the raw materials will be made into finished goods in Japan and when these are exported the fund will be reimbursed. Thus, shipments of gold abroad will not appear in the figures of importing countries until actually sold to provide the revolving fund with foreign exchange.

†—Nominal quotations. ¶—Free rate. **—Official rate. §—Travel Lira 4.75c.

Security Statistics

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

1937 Indexes High	1937 Indexes Low	No. of Issues (1925 Close—100)	1938 Indexes High	1938 Low	Aug. 6	Aug. 13	Aug. 20
122.0	54.3	330 COMBINED AVERAGE	70.9	44.2	70.2	63.0	65.4
253.3	111.4	5 Agricultural Implements..	133.9	88.5	126.3	109.7	113.6
72.6	34.0	6 Amusements..........	42.6	24.7	40.9	36.1	37.3
146.6	52.1	16 Automobile Accessories.	80.0	43.1	80.0h	72.0	76.1
30.1	8.9	12 Automobiles...........	13.2	7.0	13.2h	11.8	12.5
178.0	73.4	9 Aviation (1927 Cl.—100)	122.2	75.2	118.7	105.9	107.4
28.5	9.3	3 Baking (1926 Cl.—100)..	16.1	8.9	15.5	13.8	14.7
308.6	135.4	3 Business Machines.......	203.3	120.2	203.3h	181.1	192.5
247.7	132.6	9 Chemicals..............	166.3	111.6	166.3h	147.8	153.4
88.3	32.9	18 Construction...........	48.2	25.6	46.6	40.2	42.7
361.0	193.4	5 Containers.............	242.6	173.8	242.6h	220.8	231.3
217.3	75.3	9 Copper & Brass.........	111.3	60.0	111.3h	95.4	101.0
43.0	24.5	2 Dairy Products..........	28.0	23.1	27.3	26.1	25.1
42.7	15.2	9 Department Stores.......	25.8	12.2	25.8	23.0	24.3
108.8	45.2	9 Drugs & Toilet Articles...	56.4	40.1	54.4	51.0	50.6
388.4	182.6	2 Finance Companies......	283.0	158.1	283.0h	260.6	269.9
71.9	37.5	7 Food Brands............	50.2	33.3	49.5	46.3	47.9
53.2	25.9	4 Food Stores............	30.2	20.5	28.3	26.2	26.7
122.3	46.4	4 Furniture & Floor Covering	65.4	36.9	64.4	64.6	64.0
1160.6	894.0	3 Gold Mining...........	1258.7	953.7	1258.7h	1248.6	1240.7
58.6	25.8	6 Investment Trusts........	32.1	21.1	31.7	28.4	28.9
317.8	167.2	4 Liquor (1932 Cl.—100)..	194.2	140.7	194.0	173.5	177.8
209.8	97.8	9 Machinery.............	126.9	77.6	126.9h	112.5	117.5
104.3	53.8	2 Mail Order............	80.0	49.1	80.0h	74.7	77.8
109.6	47.5	4 Meat Packing...........	56.5	36.5	53.5	48.1	49.9
334.1	138.6	15 Metals, non-Ferrous......	182.6	116.0	175.0	157.7	161.1
26.5	7.4	2 Paper..................	11.6	5.8	11.3	9.7	10.1
158.8	90.8	23 Petroleum..............	113.0	76.2	111.1	101.3	103.6
114.9	50.5	18 Public Utilities..........	60.1	38.8	55.2	48.6	50.5
31.7	13.3	4 Radio (1927 Cl.—100)...	17.7	10.3	17.7	15.8	16.9
112.9	37.7	9 Railroad Equipment......	49.4	28.2	47.3	41.4	43.6
48.6	16.2	23 Railroads..............	18.6	10.6	17.4	15.6	15.8
28.5	6.9	3 Realty.................	9.5	4.7	8.5	7.0	7.0
87.6	34.9	3 Shipbuilding............	62.6	36.1	56.8	50.6	51.7
165.6	69.6	13 Steel & Iron............	85.8	55.2	84.2	74.8	77.8
45.2	21.6	6 Sugar..................	25.7	17.4	23.0	20.5	21.3
171.2	118.6	2 Sulphur.	169.1	118.6	169.1h	156.4	158.8
85.3	43.2	3 Telephone & Telegraph...	57.4	37.6	55.4	49.7	51.2
91.8	35.3	7 Textiles................	49.7	27.9	49.7h	45.8	46.5
29.2	10.7	4 Tires & Rubber..........	18.2	10.0	18.2h	16.3	17.4
99.4	68.3	4 Tobacco...............	84.3	63.8	84.3h	81.5	81.3
71.9	20.6	5 Traction	33.1	15.6	32.5	29.4	29.9
346.8	157.7	4 Variety tores..........	221.5	146.0	221.5h	204.7	210.3
.....	.....	22 Unclassified (1937 Cl.—100)...............	134.0	84.7	132.3	119.7	123.4

h—New HIGH this year.

DAILY INDEX OF SECURITIES

	N. Y. Times 40 Bonds	Dow-Jones Avgs. 30 Indus.	Dow-Jones Avgs. 20 Rails	N. Y. Times —50 Stocks— High	N. Y. Times —50 Stocks— Low	Sales
Monday, Aug. 8....	71.40	144.33	29.60	103.19	101.80	913,930
Tuesday, Aug. 9.....	71.24	143.21	29.80	101.77	100.09	829,750
Wednesday, Aug. 10	71.26	142.40	29.56	101.81	100.22	809,880
Thursday, Aug. 11...	71.08	139.32	28.57	100.28	97.88	1,094,310
Friday, Aug. 12.....	70.65	136.51	27.68	97.17	94.99	1,479,690
Saturday, Aug. 13...	70.52	136.21	27.57	96.05	95.28	396,200
Monday, Aug. 15...	70.48	136.98	27.76	97.04	95.87	593,810
Tuesday, Aug. 16....	70.60	138.44	27.96	98.10	96.33	614,300
Wednesday, Aug. 17	70.82	139.03	27.94	99.24	97.67	595,950
Thursday, Aug. 18...	70.80	139.33	27.70	98.35	97.51	446,610
Friday, Aug. 19.....	70.94	141.13	28.31	100.24	98.01	825,680
Saturday, Aug. 20...	70.93	141.20	28.45	99.79	99.18	245,580

STOCK MARKET VOLUME

Week Ended Aug. 20	Week Ended Aug. 13	Week Ended Aug. 6
3,321,930	5,523,760	4,829,300
Total Transactions Year to Aug 20	Same Date 1937	Same Date 1936
169,598,673	261,763,420	315,125,701

COMMENTS

After making an approximate double top on relatively light sales during the week ended Aug. 6, the market experienced a sharp reaction of 7.2 points during the ensuing week, and then recovered a third of this drop during the week ended Aug. 20, on the lightest volume since the week ended June 18. In view of the prominence given to complaints that the market through its brisk advance during June and July had outrun business improvement, it should be noted that, at present writing, our Combined Average of 330 active common stocks has retraced only 27% of ground lost during the 1937-8 bear market, whereas our Business Activity Index has regained 33% of ground lost during the slump.

* * *

It is interesting to observe that a sharp market reaction such as took place during the past fortnight often results in a reshuffling of group trends; so that it is by no means certain that the same groups which were stronger than the general market during its last rise will continue to be so strong during the next advance. A conspicuous example of this shift in trend is offered by the Aviation group, which had been consistently stronger than the market this year up to the first top established during the week ended July 23. During the week in which the double top was made, the Aviation group was neither stronger nor weaker than the market; while during the fortnight ended Aug. 20 this group was distinctly weaker than the Combined Average. In seeking the economic background for this loss of momentum we find that the rate at which profits of the industry have been expanding has probably reached its peak, a supposition strengthened by reports that at least one leading manufacturer will experience delays in deliveries on Government contracts during the third quarter.

* * *

Other groups which have been for the most part stronger than the market this year, but during the past fortnight showed a tendency to lag, include Containers, Gold Mining, Telephone and Traction—suggesting that the cream may be off these groups for awhile.

* * *

Groups stronger than the market during the past fortnight include Automobile Accessories, Automobiles, Baking, Business Machines, Department Stores, Finance Cos. (due to the brighter automobile outlook), Mail Order and Tires. Groups weaker than the market include Agricultural Implements, Aviation, Investment Trusts (leverage effect), Metals (owing to still excessive inventories) and Realty. Trend of groups not mentioned was not clearly defined during the past fortnight.

Substantial Profits on Small Capital

Exceptional Short-Term Profit Possibilities Are Now Open in Low-Priced Common Stocks

Sound common stocks, low and moderate in price, form our Unusual Opportunities Program. Price alone, however, is not enough. On account of this very factor, all issues considered have to be listed on the New York Stock Exchange and pass a rigorous test made by our analysts.

Every stock approved must have a strong capital structure, outstanding earnings prospects and enjoy a broad market. The company must be ably managed and represent an industry that is going ahead. Above all, the issue must hold **unusual** short-term profit possibilities.

Only $1,000 Required . . .

This Unusual Opportunities Program is one of the most popular provided by THE FORECAST. With $1,000, it may be followed in 10 share lots on an outright basis. Of course, with a larger amount, you may proportionately increase your operating unit. The maximum number of stocks carried at one time is five.

Capital or collateral goes a long way in taking advantage of these low and moderate priced trading mediums.

Profits of 5 to 10 Points . . .

In the initial stages of this recovery market, many selected stocks that meet our Unusual Opportunity qualifications are selling within our price limit. Throughout recent market movements, these issues have been re-analyzed. From this new group, our recommendations will be made. Now, temporarily quoted around 15, these stocks can shortly rebound into the 20-25 price range.

Consequently, profits of 5 to 10 points should be available shortly in such issues. They should prove most profitable mediums for the replacement of your present holdings that have discounted their near-term outlook. You may switch 25 shares of a stock around 30 into 50 shares of a stock at 15, and materially enhance your profit prospects.

3 Stocks Selected . . .

Three Unusual Opportunities . . . averaging around 15 . . . are now being considered. They will be recommended to you as a FORECAST subscriber . . . when our market technicians feel the most advantageous time for you to buy has arrived.

Commitments will then be kept under our continuous supervision and we shall advise you . . . by telegram and by mail . . . when to close them out and whether to keep your funds liquid or make new purchases.

Mail the coupon below to take an advantageous position in these three Unusual Opportunities and our new recommendations as selected. The sizable units which you may purchase should enable you to take immediate steps to recover losses and secure substantial profits.

SERVICE TO START AT ONCE BUT DATE FROM OCTOBER 1, 1938

Free Air Mail Service

☐ Check here if you wish Air Mail and it will expedite delivery of our weekly and special bulletins. This service is provided FREE in such cases in United States and Canada.

•

We serve only in an advisory capacity, handle no funds or securities and have no financial interest in any issue or brokerage house. Our sole objective is the growth of your capital and income through counsel to minimize losses and secure profits.

THE INVESTMENT AND BUSINESS FORECAST
of The Magazine of Wall Street

90 BROAD STREET — CABLE ADDRESS: TICKERPUB — NEW YORK, N. Y.

I enclose $75 to cover my six months' test subscription to The Investment and Business Forecast with service starting at once but dating from October 1, 1938. I understand that regardless of the telegrams I select, I will receive the complete service by mail. ($125 will cover an entire year's subscription.)

Send me collect telegrams on all recommendations checked below. (Wires will be sent you in our Private Code after our Code Book has had time to reach you.)

☐ **UNUSUAL OPPORTUNITIES** — Low-priced Common Stocks for Market Appreciation. Two or three wires a month on average. Three to five stocks carried at a time. $1,000 capital sufficient to buy 10 shares of all recommendations on an outright basis.

☐ **TRADING ADVICES** — Active Common Stocks for Short Term Profit. Two or three wires a month, on average. Three to five stocks carried at a time. $2,000 capital sufficient to buy 10 shares of all recommendations on an outright basis.

☐ **BARGAIN INDICATOR** — Dividend-paying Common Stocks for Profit and Income. One or two wires a month on average. Three to five stocks carried at a time. $2,000 capital sufficient to buy 10 shares of all recommendations on an outright basis.

NAME .... CAPITAL OR EQUITY AVAILABLE ....

ADDRESS ....

CITY .... STATE .... Aug. 27

Continuous Consultation Service Provided. List Your Securities Now for Our Analysis.

Newmont Mining Corporation

Dividend No. 40

A dividend of Fifty cents per share has been declared on the capital stock of Newmont Mining Corporation, payable September 15, 1938, to stockholders of record at the close of business August 31, 1938.

H. E. DODGE, *Secretary.*

Duquesne Light Company

Dividend No. 43

Pittsburgh, Pa., August 18, 1938

A quarterly dividend amounting to One Dollar and Twenty-five Cents per share (being one and one-quarter per cent (1¼%) on the par value of $100 a share) on the 5% Cumulative First Preferred Stock of this Company, has this day been declared payable October 15, 1938, to all holders of said 5% Cumulative First Preferred stock at the close of business, September 15, 1938.

Checks will be mailed.

C. J. BRAUN, Jr.
Treasurer

NATIONAL DAIRY PRODUCTS CORPORATION

Dividends of $1.75 per share on the Preferred A and Preferred B stocks and 20¢ per share on the Common stock have been declared payable October 1, 1938, to holders of record September 1, 1938.

A. A. STICKLER
Treasurer

August 18, 1938

New York Stock Exchange

Rails

	1936 High	1936 Low	1937 High	1937 Low	1938 High	1938 Low	Last Sale 8/18/38	Div'd $ Per Share
A								
Atchison	88½	59	94¾	32⅞	42	22¼	35½	....
Atlantic Coast Line	49	21⅝	55½	18	27⅜	14	20½	‡1.50
B								
Baltimore & Ohio	26½	15⅞	40½	8⅛	11	4	7⅝	....
Bangor & Aroostook	49½	39	45	30	36	29	34¼	2.50
C								
Canadian Pacific	16	10⅞	17½	6⅞	8½	5	6¼	....
Chesapeake Corp.	100	59	90½	40	48½	27⅛	39	†1.85
Chesapeake & Ohio	77¾	51	68⅞	31	38½	22	29½	†2.00
Chicago Gt. Western Pfd.	14⅝	4	18¼	3	5⅜	2⅜	4⅛	....
C. M. & St. Paul & Pacific	2⅞	1½	3¼	⅝	1	½	⅝	....
C. M. & St. Paul & Pacific Pfd.	5⅞	2⅞	7¼	1⅛	1⅞	¾	1¼	....
Chicago & North Western	4⅞	2½	6⅜	⅞	1¾	¾	1	....
Chicago, Rock Is. & Pacific	3	1½	3⅝	¾	1¼	⅝	¾	....
D								
Delaware & Hudson	54¾	36¾	58⅜	13	23½	7½	21⅜	....
Delaware, Lack. & West	23⅛	14⅞	24½	5	8½	4	6¾	....
E								
Erie R. R.	18¼	11	23⅝	4¼	6¼	1¾	2¾	....
G								
Great Northern Pfd.	46⅜	32¼	56¾	20½	26¼	12⅜	20⅞	....
I								
Illinois Central	29½	18⅝	38	8	14	6⅛	10⅞	....
K								
Kansas City Southern	26	13	29	5	13⅛	5⅛	11¼	....
L								
Lehigh Valley	22	8½	24⅝	4¼	7¼	3	5¼	....
Louisville & Nashville	102⅜	57½	99	48½	56½	29⅞	40	....
M								
Mo., Kansas & Texas	9⅝	5½	9¾	2	3⅜	1½	2⅜	....
Mo., Kansas & Texas Pfd., A	33⅜	14½	34⅝	5⅛	11½	4¾	8¾	....
Missouri Pacific	4	2⅛	6¼	1¼	2⅜	¾	1	....
N								
New York Central	49⅝	27¾	55¼	15⅛	21½	10	17¾	....
N. Y., Chic. & St. Louis	53⅛	17¾	72	14	22½	7	16¼	....
N. Y., N. H. & Hartford	6⅛	3	9¾	2	2¾	1⅛	1⅝	....
Norfolk & Western	310½	210	272	180	198	133	166½	*10.00
Northern Pacific	36¾	23⅞	36⅝	9⅞	14½	6⅜	12	....
P								
Pennsylvania	45	28¼	50¼	20	24½	14⅛	19⅝	....
R								
Reading	50¾	35½	47	18⅛	22	10⅜	15¾	†1.25
S								
St. Louis-San Fran	3⅝	1½	4¾	1	1⅜	⅝	⅞	....
Southern Pacific	47⅞	23½	65⅜	17	22⅛	9¼	18	....
Southern Railway	26½	12¾	43⅜	9	15	5½	12¼	....
T								
Texas & Pacific	49	28	54¼	15⅝	26	13	21½	....
U								
Union Pacific	149¾	108½	148¾	80	93	55⅜	88	†4.50
W								
Western Maryland	12⅛	8⅛	11¾	2⅝	4½	2⅝	3½	....
Western Pacific	4	1⅞	4¾	1	1⅝	½	¾	....

Industrials and Miscellaneous

	1936 High	1936 Low	1937 High	1937 Low	1938 High	1938 Low	Last Sale 8/18/38	Div'd $ Per Share
A								
Air Reduction	86½	58	80¼	44½	65¾	40	60¼	*1.00
Alaska Juneau	17½	13	15¾	8	13⅜	8¾	10¾	* .60
Allegheny Steel	40⅜	26⅞	45⅝	13	21¾	11⅝	18	....
Allied Chemical & Dye	245	157	258½	145	184	124	178	6.00
Allied Stores	20⅛	6¾	21⅞	6⅛	12	4½	10	....
Allis Chalmers Mfg.	81	35⅜	83½	34	54½	34¼	48¼	† .75
Amerada	125½	75	114⅞	51½	78	55	70⅝	2.00
Amer. Agric. Chemical (Del.)	89	49	101½	53½	84¾	49	77½	†2.25
Amer. Bank Note	55½	36	41⅜	10	23⅛	10	17⅞	† .60
Amer. Brake Shoe & Fdy.	70¼	40	80¾	28	42½	23¼	38¼	† .50
Amer. Can	137½	110	121	69	104¼	70¾	95⅝	4.00
Amer. Car & Fdy.	60½	30	71	15¼	32¼	12⅝	25⅝	....
Amer. & Foreign Power	9¾	6½	13¾	2½	5¼	2¼	3¾	....
Amer. Power & Light	14⅜	7½	16½	3	7⅛	3¼	5	....
Amer. Radiator & S. S.	27⅜	18¾	29½	9¼	17	9	14½	....
Amer. Rolling Mill	37	23¾	45¼	15½	22⅞	13⅛	18½	....
Amer. Smelting & Refining	103	56¾	105¾	41	56¾	28⅛	46	†1.75
Amer. Steel Foundries	64	20½	73¼	22½	34¾	15⅝	27	....
Amer. Sugar Refining	63⅝	48¼	56⅞	24	31	21½	24¼	....
Amer. Tel. & Tel.	190⅛	149½	187	140	149¾	111	140½	9.00
Amer. Tob. B.	104	88½	99⅞	58¾	91	58¾	87	5.00
Amer. Water Works & Elec.	27¾	19⅛	29½	8	13½	6	9¾	....
Amer. Woolen Pfd.	70¾	52¾	79	25¼	43	23⅝	39½	....
Anaconda Copper Mining	55⅜	28	69½	24½	38	21	33⅜	....
Armour Co. of Ill.	7⅜	4⅝	13¾	4⅝	7	3⅞	5¾	....
Atlantic Refining	35⅛	26⅝	37	18	27⅜	17¾	23⅛	1.00
Aviation Corp. Del.	7¾	4⅝	9¼	2¼	4⅞	2½	4¼	† .18½
B								
Baldwin Loco. Works	....	....	23¾	5	11¾	5	9⅛	....
Barber Co.	38½	21	43⅜	10⅛	23⅜	12⅛	19¼	....
Barnsdall Oil	28¼	14⅛	35¼	10	21⅜	10⅛	17¾	1.00
Beech-Nut Packing	112	85	114¾	90¾	115½	94½	114	*4.00
Bendix Aviation	32⅜	21⅝	30½	8¼	23¼	8⅝	22⅛	....
Best & Co.	72	48	62¾	29	50¼	26⅞	44¾	†1.92½
Bethlehem Steel	77¾	45¾	105½	41	65⅞	39¾	55⅛	....

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1936		1937		1938		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	8/18/38	Share
B								
Black & Decker	34½	28¾	38	13¼	20¼	9¾	18	....
Boeing Airplane	37⅜	16⅞	49¾	16	35½	20⅛	25⅝	....
Borden Co.	32⅜	25⅝	28	16	19⅝	15	16½	†1.00
Borg Warner	....	....	50⅝	22¾	33¼	16½	31½	....
Bridgeport Brass	18⅞	12⅛	23¼	7	12⅝	5⅜	10¾	....
Briggs Mfg.	64⅞	43¼	59⅞	18	35½	12¾	33¼	† .25
Brooklyn-Manhattan Transit	58¼	40¼	53	7	13⅜	5⅜	10⅝	....
Bucyrus Erie	21¾	8⅞	25¼	6½	12⅞	5⅞	11	....
Budd Mfg.	15⅞	9⅛	14⅜	2¼	6¾	3¼	5⅜	....
Byers & Co. (A. M.)	29⅛	16½	33¾	6	13⅜	6	10½	....
C								
Calumet & Hecla	16½	6	20⅛	4	10¼	5¼	7⅝	....
Canada Dry Ginger Ale	30¾	10⅜	38¼	9½	21½	12⅛	18¼	....
Case, J. L.	186	92½	196¾	80	107½	62½	90	....
Caterpillar Tractor	91	54¾	100	40	58	29⅝	49	†1.50
Calanese Corp.	32¼	21¾	41¼	13	25¼	9	23½	....
Cerro de Pasco Copper	74	47¾	86⅜	34¾	49½	26¼	43	....
Chrysler Corp.	138¾	85½	135¼	46⅛	75½	35⅜	71⅛	† .75
Climax Molybdenum	....	....	41	24½	45⅝	32½	39	† .60
Coca-Cola Co.	134	84	170½	93¾	142¾	105½	136¾	†1.75
Columbian Carbon	136½	94	125¾	65	98½	53¾	90½	4.00
Colum. Gas & Elec.	23⅜	14	20⅞	4⅝	9⅝	5⅛	6¾	....
Commercial Credit	84⅞	44	69¼	30⅜	50	23	46¾	4.00
Comm. Inv. Trust	91¾	55	80¼	34	56	31½	52	4.00
Commercial Solvents	24⅝	14¼	21¼	5	12¼	5⅞	10⅛	....
Commonwealth & Southern	5½	2¼	4⅛	1	2	1	1⅛	....
Consolidated Edison Co.	48⅜	27¼	49⅞	21⅛	30½	17	26¼	†1.50
Consol. Oil	17¼	11½	17⅞	7	10¾	7	9½	.80
Container Corp.	26¼	15¾	37⅜	10¾	17½	9¾	15⅛	....
Continental Baking, A	35⅜	10⅜	37¾	7½	26⅞	8⅝	22	....
Continental Can	87¼	63¾	69⅛	37½	49	36½	43⅝	†1.50
Continental Oil	44⅞	28⅛	49	24	35¾	21¼	32¼	† .75
Corn Products Refining	82½	63⅝	71¼	50½	70⅝	53	69¼	3.00
Crane Co.	50½	24	56½	22½	36½	19	32⅝	....
Crown Cork & Seal	91½	43⅝	100⅞	28¼	39⅞	22¼	33⅛	....
Curtiss-Wright	9¼	4	8⅜	2	6	3¼	5⅛	....
Curtiss Wright, A	21⅞	10½	23¾	8⅛	24¾	12⅝	22¾	....
Cutler-Hammer	....	....	27	18¼	28¾	13¼	24¼	....
D								
Deere & Co.	....	....	27	19½	25¼	13¾	19	....
Distillers Corp. Seagrams	34⅝	18¼	29	10	17½	11	15⅝	†1.00
Dome Mines*	61½	41½	57¼	35	34⅞	27⅛	33⅜	† .50
Douglas Aircraft	82¼	50⅝	77¼	26½	54½	31	47⅛	....
du Pont de Nemours	84¾	133	180⅛	98	133¾	90½	130	†1.75
E								
Eastman Kodak	185	156	198	144	181	121½	173	6.00
Electric Auto Lite	47½	30¾	45½	14⅞	28¼	13¼	26½	† .25
Elec. Power & Light	25⅞	6⅜	26⅝	6⅛	13¾	6⅛	10⅛	....
Endicott Johnson Corp.	69	53½	60	33	44¾	33	44¼	3.00
F								
Fairbanks, Morse	71¾	34¾	71⅞	23½	39	19½	34	....
Firestone Tire & Rubber	36¼	24⅞	41⅜	16½	25⅛	16¼	21⅛	†1.00
First National Stores	58⅝	40	52¼	26½	34⅞	24½	32¾	2.50
Foster Wheeler	45⅜	24⅛	54½	11½	22	11	18¼	....
Freeport Sulphur	35⅝	23½	32¼	18	31⅞	19⅞	29	2.00
G								
General Amer. Transpt.	76	42¼	86½	31½	51⅛	29	48	†1.12½
General Baking	20	10¾	19½	5	11⅛	6½	10	.40
General Electric	55	34½	64⅞	34	45½	27¼	40⅝	† .50
General Foods	44	33⅜	44¼	28⅛	36¼	22⅞	35½	2.00
General Mills	70½	58	65⅞	48	69	50¾	68½	3.00
General Motors	77	53⅞	70½	28⅝	48	25½	46⅜	† .75
General Railway Signal	57	32½	65⅛	17	26½	12¾	20½	....
Gen. Realty & Utility	4⅞	2	5¾	1	2⅛	1	1½	....
General Refractories	71	33¼	70¼	18	37⅜	15⅛	31⅞	....
Glidden	55¼	39½	51½	19⅛	27¼	13	23½	....
Goodrich Co. (B. F.)	35½	13⅝	50½	12¾	25¾	10	24⅛	....
Goodyear Tire & Rubber	31⅞	21⅝	47⅜	16⅛	30	15⅛	27¼	....
H								
Hecker Products	21⅜	12⅝	15⅞	5⅝	8¾	5½	7½	.60
Hercules Powder	....	....	64	50	65¼	42¾	60½	† .65
Houston Oil	13⅞	6⅜	17⅝	4¾	9¾	5	8⅛	....
Hudson Motor Car	22⅝	13½	23¼	4	10	5	8¾	....
I								
Industrial Rayon	41⅜	25⅝	47½	15	30⅛	14⅜	28	....
Inspiration Copper	24¼	6⅛	33⅛	6¼	16⅞	7⅛	14⅝	....
Interborough Rapid Transit	18⅞	10⅞	13¾	1½	6¾	2⅞	6⅜	....
Inter. Business Machines	194	160	189	127½	168	130	164	*6.00
Inter. Harvester	105½	56⅝	120	53½	70	48	58	†2.15
Inter. Nickel	66⅜	43¼	73⅜	37	52¾	36⅞	48½	†1.50
Inter. Tel. & Tel.	19¼	11⅛	15⅞	4	10¾	5½	8⅝	....
J								
Johns-Manville	152	88	155	65½	99¼	58	93½	....
K								
Kennecott Copper	63⅜	28¼	69⅜	28¼	44	26⅜	39⅝	† .75
L								
Lambert	26¾	15⅞	24	10⅛	14¾	8⅛	13	†1.12½
Lehman Corp.	....	....	43½	22¾	29	19⅜	27	† .70
Libbey-Owens-Ford	80¼	47¼	79	33⅝	50⅜	23¼	48¼	† .75
Liggett & Myers Tob., B	116½	97¾	114	83½	103¾	81½	100¾	*4.00
Loew's, Inc.	67⅛	43	87⅞	43⅝	56¼	33	47¼	†2.00
Lone Star Cement	61⅞	35½	75¼	31½	56	26	52¾	3.00
Lorillard	26½	21⅛	28⅝	15⅜	21¼	13¾	19¾	1.20
M								
Mack Truck	49¼	27⅜	62¼	17⅜	29	16	24⅝	....
Macy (R. H.)	65¼	40⅛	58¼	25	48	24⅞	44	2.00
Marshall Field	25⅛	11⅛	30⅞	7¼	14½	5½	12	....
Martin (Glenn L.) Co.	....	....	29¼	10	27¼	14⅛	22½	....
Masonite, Corp.	64½	44	74	20	55½	25	52	*1.00
Mathieson Alkali	42⅜	27½	41¾	22	30½	19¾	27	1.50
McIntyre Porcupine	49⅜	38⅛	42½	30⅛	47⅞	35½	46⅝	2.00
McKeesport Tin Plate	....	....	42½	18½	26⅛	13⅛	20	....
McKesson & Robbins	14¾	8⅝	16¼	5⅜	8¼	5⅜	6⅞	....

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1936 High	1936 Low	1937 High	1937 Low	1938 High	1938 Low	Last Sale 8/18/38	Div'd $ Per Share
M								
Mesta Machine	65	40⅝	72¼	33¾	47½	26¾	43¾	†2.50
Minn. Honeywell	112	65	120	53	87	46½	77½	†1.50
Minn. Moline Power	12⅜	6½	16⅛	4⅜	8	4	6	....
Monsanto Chemical	103	79	107½	71	98½	67	93⅞	2.00
Mont. Ward & Co	89	35¾	69	30	50	25	46	†1.25
Murray Corp	22¾	14	20¾	3	10¼	4	8⅝	....
N								
Nash Kelvinator	....	....	24⅝	5	12½	6¾	9⅞	....
National Biscuit	38¾	28¾	33⅜	17	25¾	15½	25⅛	†1.20
National Cash Register	32⅝	21½	38⅞	13	30⅝	12½	27¾	.75
National Dairy Prod	28¼	21	26⅛	12	16½	11⅞	14⅝	....
National Distillers	33⅜	25⅝	35	17	26⅜	17¼	24½	2.00
National Lead	36½	26⅜	44	18	31	17⅛	24⅞	.50
National Power & Light	14⅞	9⅝	14¾	5	8⅜	5	6⅜	.60
National Steel	78	57¼	99¼	55	66½	44¾	58¾	† .50
N. Y. Air Brake	83	32½	98½	29	40	20	32	....
Newport Industries	40	9	41¾	10⅛	19½	9⅞	16¾	....
North American	35½	23⅛	34⅞	14⅛	24⅜	13¾	20¼	† .60
North Amer. Aviation	14¼	6⅝	17⅜	3	11	5⅞	9¼	....
O								
Otis Steel	20¾	12½	24⅜	6⅛	12	6⅜	9⅝	....
Owens-Ill. Glass	....	....	103¾	51¼	74⅛	40	71	†1.00
P								
Pacific Gas & Electric	41	30¾	38	22	29¾	22¾	26⅞	2.00
Packard Motor Car	13⅜	6⅞	12⅜	4	5⅞	3¼	5	....
Paramount Pictures	25	7⅛	28¾	8½	13¼	5¾	9¼	....
Penney (J. C.)	112½	69	103¾	57½	85½	55	83¼	†1.75
Phelps Dodge	56¾	25⅝	59⅞	18½	37⅞	17⅝	34¾	† .45
Phillips Petroleum	52⅜	38⅛	64	30⅛	44⅜	27¼	40⅞	2.00
Procter & Gamble	56	40¼	65½	43¼	57½	39½	56⅝	2.00
Public Service of N. J	50½	39	52¾	30⅜	35½	25	29½	†1.65
Pullman	69⅞	36⅞	72⅛	25½	36⅞	21⅝	31¼	†1.12½
Pure Oil	24⅞	16	24⅜	8¾	13½	8¼	10⅛	....
R								
Radio Corp. of America	14¼	9¾	12¾	4¾	7¾	4¾	6⅞	....
Radio-Keith-Orpheum	10⅞	5	10⅛	2¼	5⅜	1⅞	2½	....
Remington Rand	25	17½	29⅛	8⅛	17⅝	9⅝	15¼	* .70
Republic Steel	29⅞	16⅞	47¼	12¼	20⅞	11¼	17⅝	....
Reynolds (R. J.) Tob. Cl. B	60½	50	58	40¼	46½	33¾	41⅝	†2.40
S								
Safeway Stores	49⅝	27	46	18	23⅝	12	19	† .50
Schenley Distillers	55⅞	37¾	51¾	22	27½	14⅛	18⅛	....
Sears, Roebuck	101½	59⅝	98⅝	49¾	75½	47	71	*3.00
Shattuck (F. G.)	19¾	11⅛	17⅝	6½	11⅝	6¾	9⅞	.40
Shell Union Oil	28¼	14¾	34¾	14⅞	18⅜	10	15⅜	† .35
Socony-Vacuum Corp	17½	12½	23¼	13	16⅜	10¾	14½	.50
Sperry Corp	24⅛	15⅞	23¾	10	25¾	15⅝	23⅜	† .60
Spiegel, Inc	....	....	28¾	8⅛	15¼	6¼	12¾	....
Standard Brands	18⅛	14⅜	16¼	7½	9¼	6⅛	7⅞	† .50
Standard Gas & Electric	9⅞	5⅛	14⅜	2½	5½	2	3¾	....
Standard Oil of Calif	47⅝	35	50	27⅛	34⅞	25⅛	31⅛	*1.00
Standard Oil of Ind	48½	32¾	50	26½	35½	24¾	31¾	....
Standard Oil of N. J	70⅜	51⅛	76	42	58⅜	39¾	53¾	*1.00
Stewart-Warner	24½	16½	21	5½	12⅛	6	9¾	....
Stone & Webster	30½	14⅝	33⅝	6½	12	5½	9⅜	....
Studebaker	15⅞	9⅛	20	3	8⅞	3½	7¾	....
Sun Oil	91	70	77½	44½	59	45	55¼	*1.00
T								
Texas Corp	55¼	28⅞	65⅛	34¾	49⅝	32⅝	45⅜	2.00
Texas Gulf Sulphur	44¾	33	44	23¾	37½	26	35¼	†1.50
Texas Pacific Coal & Oil	15¼	7½	16⅝	5⅜	12½	7	11¼	.40
Tide Water Assoc. Oil	21¾	14¾	21⅝	13⅛	15¾	10⅛	13¾	....
Timken Detroit Axle	27⅞	12⅛	28⅞	8¾	15½	8	13⅞	....
Timken Roller Bearing	74½	56	79	36	52¾	31¼	48½	† .75
Twentieth Century-Fox	38⅝	22½	40⅞	18½	26⅞	16⅛	24⅝	†1.00
U								
Underwood-Elliott-Fisher	102⅜	74⅝	100⅛	46¼	66	41	62	†2.00
Union Carbide & Carbon	105¼	71⅝	111	61¼	87	57	80⅜	†2.00
Union Oil of Cal	28½	20¾	28¼	17½	22½	17⅛	20⅞	1.20
United Aircraft	32⅜	20⅝	35⅛	10¾	30¼	19½	26⅝	† .50
United Carbon	96¾	68	91	36¾	65½	39	59	†1.75
United Corp	9¼	5⅜	8½	2	3¾	2	2⅝	....
United Fruit	87	66½	86¾	52	67½	50	61½	3.00
United Gas Imp	19½	14⅛	17	9	11⅜	8¾	10⅛	1.00
U. S. Gypsum	125¼	80½	137	53	96¾	55	89¼	2.00
U. S. Industrial Alcohol	59	31¼	43⅝	16⅛	24¼	13½	19½	....
U. S. Pipe & Fdry	63⅞	21½	72¼	24	44⅜	21½	41	2.00
U. S. Rubber	49⅜	16⅜	72⅜	20	47½	21	44⅜	....
U. S. Smelting, Ref. & Mining	103¾	72¼	105	52½	71	44¾	62½	†3.00
U. S. Steel	79⅞	46⅜	126½	48½	63¼	38	57¾	....
U. S. Steel Pfd	154¾	115½	150	100¼	114½	91¾	110⅜	7.00
Utilities Pwr. & Lt., A	7	3⅛	4⅞	¾	1¼	½	⅝	....
V								
Vanadium	30⅝	16¼	39⅜	9¼	21⅜	11½	18¼	....
W								
Walworth Co	12⅜	5½	18¾	3¼	10¼	4½	8⅜	....
Warner Brothers Pictures	18⅜	9¼	18	4¾	8	3¾	6	....
Western Union Tel	96⅛	72½	83½	22⅛	34¼	16½	26⅛	....
Westinghouse Air Brake	50⅞	34¾	57¾	17¾	28¾	15¾	24½	1.00
Westinghouse Elec. & Mfg	153½	94½	167⅝	87⅛	109⅞	61¾	100½	†2.00
Wilson & Co	11	6⅝	12¼	4⅝	5⅞	3	4¾	....
Woolworth	71	44¾	65⅜	34	48¾	36	45¼	2.40
Worthington Pump & Mach	36¾	23⅛	47	12	22⅜	11¼	20	....
Y								
Yellow Tr. & Coach, B	23¼	8¾	37⅜	7½	21⅝	8⅜	19¼	....
Youngstown Sh. & Tube	87¾	41¾	101⅞	34⅛	43¾	24	35¾	....
Z								
Zenith Radio	42⅜	11⅛	43¾	11⅞	25¾	9	19⅝	....

*—Not including extras. ‡—Paid last year. †—Paid this year. ★—Split 2/16/38.

Floating Supply as a Technical Factor

(*Continued from page 579*)

An outstanding example of this type of situation is J. I. Case. The company has only 195,000 shares of stock listed, and the short position at one time near the bottom of the last depression amounted to 139,600 shares. Equal to 71% of the total capitalization, the short interest in Case was possible only because of continual vigilance against a corner and the willingness of owners to lend their stock at all times. Anyone knowing the situation would hardly be surprised at the sharp rises which almost always accompany a covering movement of any size in this issue.

The point has been made that a large short interest and a substantial floating supply bring about a close market in a stock. It is more probable, though, that the more active, close-market stocks attract the short position for the very reason that the market in them is active and close. What is taken as a result, in other words, is very likely the cause. Where floating supply is small and the short interest rises to any substantial size, the existence of a close market cannot be relied upon as other than temporary, since offerings may well be slow in coming in response to rising bids. Despite habitual spreads of an eighth of a point between bids and offers, conditions of this kind frequently presage extremely volatile action in the near future.

The discussion of these factors has been confined to their effect in a rallying market, but with certain obvious modifications similar conditions have a like effect in a falling market. Here, however, one factor which has been kept in the background becomes of first importance. Brokers' loans, as a gauge of the strength of the hands holding the floating supply, assume a much more significant place in calculations after prices have enjoyed a considerable advance and are presumably subject to some degree of correction. At such a point, it will almost invariably be found that floating supply has grown considerably, and if a sharp expansion in borrowings accompanies the move, there is a reasonable assumption that the Street stock is being carried to a great extent on borrowed money which will become due and payable when the market starts downward for any reason.

Brokers' loans are such a small fraction of what they used to be that their usefulness as danger signals has been greatly impaired. The character of the buying, or rather the financial strength of the purchasers, is still hinted at, however, by the short-term changes in the loan totals. Taken together with the statistics on short-selling and those in the floating supply of Steel, which changes only gradually, an excellent though general idea of the strength behind a move in the market can be had.

The Government vs. the Movies

(*Continued from page 559*)

manner in which the public taste changes. Every Hollywood studio just now is "off musicals." Reason? The public is tired of them, or so it is said. But is the public tired of musical entertainment, or did it merely decline to patronize a few bad musicals? No one in Hollywood can answer that question, because there is no machinery—such as every other national industry maintains—for getting the information that is vital to picture production. In other words, even a third grade artist in watercolor or oils will not go on painting still life pictures of fruits and fish for dining rooms when there is no demand. This experience with musicals has happened three times in Hollywood, and each time the embargo has been lifted when some studio made one which rang the bell clear across the land.

At present the American motion picture industry is hampered somewhat by its inability to sell abroad. Two years or so ago this foreign market meant about 45% of the total, and 25% of this came from the English-speaking countries. In the latter there has been some falling off, but not as great as in the countries where language is a definite barrier. Dictatorship in Italy and Germany has tender feelings; Spain is practically too war ridden to bother much about pictures; France has always been jealous of our eminence in picture making and is trying desperately to build up a native industry again. With the war spectre hanging over Europe and most of Asia; with England and Australia insisting on their quota laws to foster home production, some time may elapse before America can win back her foreign markets. That the menace of British production is understood may be seen from the amount of foreign production by American companies. Four of the majors are making pictures in England to comply with the law. By using their own players and directors to the degree permitted they hope to sell these pictures at home as well as they do their Hollywood product.

All producing companies are facing problems which have nothing to do with the Government suit, and these problems are yearly growing of more importance: player personnel and management personnel. For the first, not half a dozen promising players reached the screen in the production year just past. So, where are the successors to the Garbos, Gables, Warners, Fields, etc.? Apparently the public buys its entertainment, first on star names and for any absurd reason after that until a great picture has been made known by word of mouth.

Messrs. Warner, Meyer, Zanuck, Goldwyn, Cohn, et al., are not going to grace this earth forever, and yet that particular type of genius which combines business acumen and artistic perception must be born and cannot be made, and in this particular line the birth rate is alarmingly low.

To sum up the situation precipitated by the Government suit, while there is no definite knowledge on the part of this writer, and it would be manifestly absurd to call it a friendly suit, yet the chances are that the courts will never be called upon to pass judgment on it, notwithstanding the plain declaration by the Department of Justice in its formal statement issued July 20 that "certain rearrangements must be made in the motion picture industry . . . and this can only be done by proceedings before a judicial tribunal."

When Mr. Hays and other leaders of the industry called on the Presi-

dent some weeks ago it is difficult to believe that some forewarning was not given and that the formation of the committee with Sidney Kent at its head was not to work out a plan and submit it to the Department of Justice. The industry does not appear to be losing sleep, so for the present at least stockholders may remain calm.

Appraising Election Possibilities

(*Continued from Page 555*)

they were obtained by "unfair labor practices." In many instances the commissars have ruled that Mr. Lewis' C I O be substituted as the legal and official bargaining agency. John Frey's savage indictment of the C I O as a hotbed of communism was, in a sense, an indirect attack on the N L R B, which has been accused of having social and economic extremists on its payroll.

The Green faction is also furious because Attorney General Cummings' first application of the new anti-racketeering law was directed against an A F of L affiliate—Dan Tobin's teamsters' union in New York City. Senator Burton K. Wheeler argued that labor was specifically excepted from the act's provisions. But Federal Judge Vincent Leibell—Senator Robert F. Wagner's former law partner and protegee, ironically—held against Messrs. Green and Tobin. It is no wonder that they—and the whole executive shebang—are sore.

Organized labor appears to be returning to the political policy it pursued before the New Deal—neutrality. Both factions have endorsed candidates on the basis of their legislative records rather than their devotion to the White House. In numerous instances, the most spectacular involving Rules Committee Chairman John J. O'Connor of New York, they have approved the re-election of Congressmen scheduled for slaughter by President Roosevelt's hatchet men.

Labor, in short, is beginning to think—to become more politically independent—after its six years of emotional exile.

The farmers are heading for an even fiercer rampage. The President's private advisers are deeply alarmed lest collapsing farm prices upset their bright political expectations. It may hand conservatives in both parties their most effective issue against the Administration. It was in this same quarter that the discontent which drove the G O P from power originally.

Agricultural revolt always endangers an Administration, but today new factors operate to sharpen this threat. The thinking farmer now reasons that, despite six years of subsidies and artificial production control, he is getting only 45 cents a bushel for wheat, 40 for corn, eight for cotton (prices down on the farm). It will require only a small additional drop to shove them down to the Hoover level. His actual income is much larger than in depression days, but the difference is accounted for by federal largesse—\$712,000,000 in the current year alone.

Most hard-headed producers, however, realize that the federal treasury cannot forever support them in the style to which Henry Wallace has accustomed them. They want a permanent solution—not relief—and it seems to be as remote as ever.

Money talks in politics—whether it's public or private money. And if farm prices continue to decline, New Deal political prospects for 1938 and 1940—and for sweetness and light on Capitol Hill next winter—will be dark, indeed.

Strong Business Uptrend

(*Continued from page 557*)

people feel both richer and more secure and to encourage much more confident consumer spending.

Unseasonal gains in retail sales of 1938 model automobiles during recent weeks constitute adequate proof of the beginning of another upward cycle in demand for consumers' durable goods. Sales figures for furniture and radios point to the same conclusion. The Reserve Board's adjusted index of department store sales shows that by the end of July approximately 40% of the entire depression decline had been recovered.

The most recent statistics on employment and payrolls show only a modest improvement, but enough to indicate a definitely favorable change of trend which will become more pronounced within a few weeks as mounting production of 1939 model automobiles gives a lift to our entire economy.

Farm income this year will be a disappointment. Including benefit payments and assuming that crop loans or other New Deal remedies will halt the recent farm price decline around existing levels, farm income for 1938 probably will be around \$7,400,000,000. This would represent a decline of more than \$1,100,000,000 from the 1937 figure and some \$500,000,000 from the 1936 total but it would leave the farmers well above the \$7,090,000,000 income of 1935. A farm crisis comparable to that of 1932-1933 appears unlikely, and the apparently inevitable tightening of Federal production controls may reverse the recent price trend.

Among all of the recent favorable changes in the general economic picture, by far the most significant is the marked revival in corporate new capital financing since the close of May. Such financing over the past ten weeks has been at a rate comparing favorably with the monthly average of 1936-1937 and more than three times the monthly average of 1935. It is true that the total has been swelled by two exceptionally large industrial issues. Nevertheless the number and diversity of companies raising new capital, or now having capital financing plans in preparation, supply convincing evidence that business investment for expansion or modernization of facilities is playing a far more vigorous and prompt part in the present recovery cycle than was the case during the first several years of the first New Deal recovery.

There are apparently several reasons why corporate managements are planning ahead more aggressively. First, business men by and large either have less fear of the political outlook or are more willing to "play ball" under the existing rules of the game. Second, the present movement probably represents revival of quite a few expansion projects which had reached the paper stage by the spring of 1937 but which were deferred because of the depression and a none too favorable security market setting. Third, competitive necessity no

doubt is a considerable influence—that is, manufacturers who did not modernize facilities in 1935-1936-1937 now find themselves at an operating disadvantage as compared with competitors who did modernize.

Whatever the reasons, business investment for capital purposes is showing a far more promising recovery than anyone thought possible a few months ago. This holds promise of an earlier revival in capital goods production than had been generally anticipated; and continuance of the present trend of new capital financing would confirm our thesis that combined Government-consumer-business spending will bring about an economic recovery superior to that of 1933-1937 in speed, in scope and in staying power.

Celanese Corp. of America

(*Continued from page 575*)

might imagine that the depression had proved disastrous to the Celanese Corp. This, however, is far from being the case: the company made money in the first quarter and also in the second quarter this year. It made a great deal less than in 1937, of course, but even so the fact that the prior preferred dividend was just about covered in the first six months was reasonable under the circumstances—the circumstances being deplorable, price cutting and a great reduction in volume.

But how quickly the situation in textiles can change! According to the Rayon Organon shipments of rayon (including cellulose acetate) in July ran nearly double the shipments in June and the publication's index of yarn deliveries for the month established a new all-time high record. Moreover, prices have been raised two and three cents a pound and it is thought that there may shortly be another increase.

One cannot expect, of course, continuing improvement at the rate realized in July, for the remarkable improvement in this month was brought about by special circumstances. In the first place, inventories had been allowed to run off to a very low level and, with a sharp change in business sentiment for the better, there was a tendency to bring stocks up to more normal proportions. Then, too, there was buying in anticipation of fall requirements and in anticipation of the advance in prices. Yet, if improvement at the rate of July cannot be expected, there should continue to be a good demand for synthetic yarns for some time to come, for inventories at mills and inventories of finished products at retailing establishments are not going to be restored by one month's buying. Hence, one may conclude that the outlook for the Celanese Corp. is a bright one and, while it is to be doubted that a stockholder will receive this year a dividend on the $23 a share invested, the expected betterment could well result in a substantial return during 1939.

Engineering Skill Plus Salesmanship

(*Continued from page 564*)

$22,000,000 mark, the strongest current position since 1931. Now that sales within the United States are picking up in response to improved business sentiment, the general picture is one of readiness to take full advantage of whatever opportunity this upturn may present. Typical of recent accomplishments is a $1,200,000 order reported to have been received from the American Telephone Co., which is establishing a new cash register accounting system.

Many famous men have come from the National Cash Register ranks — Thomas Watson of International Business Machines, Alvan Macauley of Packard, Richard Grant of General Motors stand out in the list—but one of the best-known has now joined forces again with the company. Charles F. Kettering, the distinguished inventor and research engineer of General Motors, is a director of Cash Register, and it may be confidently expected that his genius will play a part in future development work. The field of office machinery is such a promising one, so obviously increasing in importance, that the combination of recognized engineering skill with the built-in reputation for salesmanship which National Cash Register has acquired over the years should be able to produce excellent results.

As has been implied earlier, there is no basis for over-optimistic dividend expectations. The company will probably continue to plow a

NEW YORK CURB EXCHANGE

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1938 Price Range High	1938 Price Range Low	Recent Price
Alum. Co. of Amer	117	58	109⅞
Amer. Cyanamid B. (.60)	26⅝	15½	22⅛
Amer. Gas & Elec. (1.40)	31⅝	19⅛	27¼
Amer. Lt. & Tr. (†.90)	16	10	13⅝
Amer. Superpower	1⅛	½	11/16
Assoc. Gas & Elec. "A"	1⅜	⅝	⅞
Ark. Nat. Gas "A"	4⅞	2¼	3⅛
Carrier Corp	32	17⅝	23
Cities Service	11	7¾	8¼
Cities Service Pfd	47⅝	21½	39¾
Colum. Oil & Gas	4⅝	2⅜	3
Consol. Copper	6¾	3½	5⅞
Consol. Gas Balt. (3.60)	74	55	73
Creole Petroleum (*.50)	27½	17½	21⅜
Eagle Picher Lead	13¼	7	10⅛
Elec. Bond & Share	10¼	4½	7
Elec. Bond & Share Pfd. (6)	61¾	42	55½
Ford Mot. of Can. "A" (1)	20⅛	14⅝	19¾
Glen Alden Coal (†.25)	7	4⅝	5⅞
Gulf Oil of Pa. (†.50)	46⅞	33	43½
Hecla Mining (†.15)	10¾	6⅛	9
Humble Oil (†1.37½)	72⅝	56	69⅞
Imperial Oil (*.50)	19½	15	16⅞
Iron Fireman (1.20)	19	11⅝	18
Jones & Laughlin	43½	21	31
Lake Shore Mines (4)	58½	45½	52½
Lockhead Air	16⅛	5⅝	14⅜
Molybdenum	6½	3½	6¼
National Bellas Hess	1	⅝	13/16
New Jersey Zinc (†1.50)	72½	45½	64
Newmont Mining (†1.50)	77½	42	75
Niagara Hudson Power	9¼	5⅛	7⅝
Niles-Bement-Pond (†1.50)	40	24¼	38½
No. Am. Rayon "A"	29	12½	25
Pan-Amer. Airways (†.75)	19⅝	12¼	15
Pentepec Oil	7⅜	3¾	4⅝
Pennroad Corp. (‡.25)	2¾	1⅝	2
Pepperel Mfg.	86	54¾	72½
Pitts. Pl. Glass (†.50)	106¾	55	98
St. Regis Paper	4⅛	2⅛	3⅜
Sherwin-Williams (*2.00)	115	66	105
South Penn Oil (*1.50)	39	28¾	35½
Technicolor (†.50)	26½	14¼	23
United Gas Corp	5¼	2¾	3¾
United Lt. & Pwr. "A"	3⅜	1½	2¼
United Lt. & Pwr. Cv. Pf	28½	13½	20⅝
Wright Hargreaves (*.40)	8⅜	6⅜	8

† Paid this year.
* Not including extras.
‡ Paid last year.

Forthcoming Dividend Meetings

Company	Time	Date
Allied Chemical & Dye*	10:30	Aug. 30
Allis-Chalmers Mfg.*	10:30	Sept. 2
American Agricultural Chemical*	3:30	Aug. 31
American Can Pfd	2:15	Aug. 30
American Rolling Mills Pfd.*	——	Aug. 30
American Snuff Com. & Pfd	11:00	Sept. 7
Briggs Mfg.*	4:00	Sept. 8
Bucyrus-Erie 7% Pfd.*	——	Sept. 8
Electric Auto-Lite*	11:00	Sept. 1
Endicott Johnson 5% Pfd.*	9:30	Sept. 6
First Natl. Stores Com. & 8% Pfd.*	——	Aug. 29
General Baking Com. & $8 Pfd.*	4:00	Sept. 8
General Electric*	9:30	Sept. 9
Glidden Co. 4½% Pfd.*	10:30	Sept. 6
Helme (G. W.) Com. & Pfd	11:00	Aug. 31
Hercules Powder	10:00	Aug. 31
Homestake Mining*	3:00	Sept. 7
International Shoe*	——	Sept. 1
Johns-Manville Pfd.*	4:30	Aug. 29
Loew's, Inc.*	3:30	Sept. 7
Lorillard (P.) Com. & Pfd	2:30	Aug. 31
Mead Johnson*	10:00	Sept. 7
National Cash Register*	3:30	Sept. 1
National Steel*	10:00	Sept. 6
National Sugar Refining	11:00	Aug. 30
Pacific Tin (special stock)*	——	Sept. 1
Parke, Davis & Co	2:00	Aug. 31
Penney, J. C.*	10:00	Sept. 6
Pratt & Lambert*	12:30	Sept. 1
Singer Manufacturing	——	Sept. 7
Sunshine Mining*	——	Sept. 1
Todd Shipyards	3:00	Aug. 29
Twentieth Century-Fox Films Com. & $1.50 Pfd	4:00	Sept. 1
United Carbon*	4:00	Sept. 1
Ward Baking 7% Pfd.*	11:30	Sept. 8
Wheeling Steel $5 and 6% Pfds	10:30	Aug. 31
White Rock Mineral Springs 7% 1st Pfd	12:00	Sept. 8

* Approximate date.

All meetings on common stock unless otherwise noted.

good part of its earnings back into the business, and 50% of net income for the stockholders may be considered normal. Both sales volume and profit margins, however, enjoy a very good likelihood of substantial expansion, given a reasonable opportunity by general business conditions throughout the world. At 27, having already recovered to a point well above its 1938 low of 12½, the stock is not cheap on current earnings, nor even outstandingly so on earnings of any recent year. It is obviously looking ahead into the company's future, and in our opinion the outlook in that direction entirely justifies the market's growing appreciation of the stock.

Answers to Inquiries

(Continued from page 584)

For the fiscal term ended June 30, 1937, earnings were appreciably better, three cents per common share being earned. It is impossible at this early date to estimate 1938 earnings, but much depends upon a continuation of the demand currently in progress and for satisfactory advances in leather prices. Outstanding as of June 30, 1938, were 36,660 shares of 6% preferred $50 par and 586,700 shares of common stock of $1 par. There is no funded debt. As of this same date finances of the company were fair, net working capital of $3,007,727 being reported. The major problem which confronts the company is inventories. The common shares, devoid of income possibilities as they are, must be classed as a highly speculative media. If you are willing to incur the risk involved, retention of small commitments may be advised.

U. S. Industrial Alcohol Co.

Do you think U. S. Industrial Alcohol will ever regain the market leadership it enjoyed in 1929 when it sold well over 200? What has been keeping its earnings down so consistently? In anticipating a fall advance, would you advise averaging 100 shares which cost me 52?—W. P., Syracuse, N. Y.

U. S. Industrial Alcohol Co. has recently taken steps to divest itself of its dependence upon industrial alcohol business which, at best, does not afford wide profit margins. Approximately 38% of gross income is now accounted for by industrial chemical business, against about 15% in 1931. Only recently, the company acquired property which will allow it to enter into the manufacture of synthetic resins and ester gums used as a base for lacquers. These attempts to diversify may result in better profits in the months ahead. For the first half of 1938 only 1 cent a share was recorded on the 391,238 shares of no par capital stock outstanding. This compares with 77 cents a share for the first half of 1937. Full year results will no doubt be much above this level as general conditions grow more active. It is unlikely, nevertheless, that earnings will approximate anything near the $1.24 per capital share recorded for the full year 1937. As the financial position of the company is sound and the longer term future of the company seems more promising with the recent innovations noted above, the shares might be retained on a speculative basis. At the same time, we believe that you are sufficiently represented in the issue and do not counsel averaging.

Reaching the Pay-Point

(Continued from page 582)

are intensified by changes in the price of the company's principal inventory item — copper. Last year, owing to the substantial decline in copper prices, the company was compelled to charge $1,393,682 against earnings in order to adjust inventories to the market value as of December 31, last. Moreover, last year the company experienced the sharpest advance in wages and also suffered during the last quarter the most severe decline in volume of business that it ever had. The effect of these adverse factors was revealed in earnings of only $414,759, as compared with $2,023,807 in 1936.

The present capitalization consists of $8,500,000 funded debt, 24,587 shares of $7 preferred, 94,118 shares of $5.25 preferred, 224,522 shares of Class A and 523,466 shares of common stock. Accumulated unpaid dividends on the 7% preferred issue now total $38.50, while on the 5¼% issue unpaid dividends amount to $2.62½ per share. The nature of this capital set-up is such that considerable leverage is imparted to the common stock. That is to say, once earnings have risen to a point sufficient to cover prior charges and preferred dividends, the balance available for the common stock may rise rapidly on a per-share basis.

In the first six months of the current year, the company sustained a loss of $1,819,709, contrasting sharply with a profit of $2,122,838 in the corresponding months a year ago. Since the end of June, however, the company has experienced a rising trend in new orders and with higher copper prices now in effect, the possibility of further inventory adjustments this year has been alleviated.

Frankly speculative, the common selling around 15, nevertheless may be credited with definite market possibilities over the months ahead.

basis.
that
d in
unsel

t

the
l in-
year,
e in
was
,682
just
e as
ver,
ced
and
rter
ume
The
was
14,-
807

ists
587
ares
s of
om-
aid
sue
4%
to
of
on-
the
nce
ffi-
re-
ail-
ise

ur-
l a
ng
in
ear
w-
ed
th
ct,
ry
en

on
ay
et
d.

ET